

United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

Semiannual Report to the Congress



April 1 to September 30, 2001

Summary of OIG Accomplishments

Financial Results:

Questioned costs	
Issued during the reporting period	\$ 10,348,570
Management decision during the reporting period	\$ 0
Recommendations for funds to be put to better use	
Issued during the reporting period	\$ 0
Management decision during the reporting period	\$ 0
Investigative recoveries	\$ 389,334

Investigative Results:

Cases opened	23
Cases closed	43
Judicial actions	49
Administrative actions	8
Hotline and complaint activity	172

Reports Issued: 53

Requests for additional copies of this
publication should be addressed to:

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A MESSAGE FROM THE INSPECTOR GENERAL

I am grateful to the United States Senate for confirming me this past summer as the new Inspector General for the United States Department of State (Department) and the Broadcasting Board of Governors (BBG). I look forward to working closely with members of both the Senate and the House for many years to come as I discharge my important responsibilities. I am pleased to provide you with this my first semiannual report to the Congress.

Though I have been in this position for only a few months, I have already re-structured my office, reordered priorities, and otherwise made changes better to carry out my duties. Specifically, I have identified four strategic goals against which I intend to review and monitor Department and BBG programs, activities, and operations, namely:

- The Department and BBG adequately protect the people, information, and facilities under their control in the United States and abroad;
- The Department and BBG effectively, efficiently, and economically advance the foreign policy interests of the United States;
- The Department and BBG have the necessary financial and support systems and controls to meet legal and operational requirements; and
- The Department and BBG are free of fraud, waste, abuse, and mismanagement.

In assessing the degree to which the Department and BBG succeed in meeting these goals, the Office of Inspector General (OIG) performs three core functions.

First, we inspect each of the approximately 260 embassies and consulates throughout the world, as well as international broadcasting facilities and the various domestic bureaus and offices of the Department and BBG.

In addition to these management-focused inspections, we also conduct discrete, specialized inspections focused on the degree to which our personnel, facilities, and intelligence assets are protected from attack or compromise. Given the tragic events

of September 11, the importance of this work is clearer than ever before, and we must redouble our efforts to carry it out. As the Congress passes more legislation and appropriates more money in this area, OIG must and will play a critically important oversight role, ensuring that the intent of the Congress is realized and that the money appropriated is well spent.

Our second major responsibility is auditing Department and BBG programs, operations, and activities to ensure that they are, to the maximum extent possible, effective, efficient, and economical. And, we ferret out instances of fraud, waste, abuse, and mismanagement.

The third major responsibility is investigating instances of fraud, waste, abuse, and mismanagement that may constitute either criminal or civil wrongdoing or a violation of Department or BBG regulations. Those instances involving crimes or civil fraud are referred to the Department of Justice for prosecution, and those involving violations of Department or BBG regulations are referred to the Department or BBG for administrative discipline.

So as to focus most intensively on these three core statutory functions, I have redeployed OIG personnel, funds, and other resources, minimizing to the greatest possible extent all support functions. Among other things, I have disbanded unnecessary support offices, and consolidated the other, essential ones into one administrative unit. The primary goal is to produce more and better inspection, audit, and investigative reports and to do so more quickly than ever before.

To emphasize the fact that I am the Inspector General for BBG as well as the Department, I have created the position of Assistant Inspector General for International Broadcasting. This unit, in collaboration with others in OIG, will continue our efforts better to serve the inspection, audit, and investigative needs of BBG.

And, I have consolidated all internal OIG information support and all of our external information technology oversight work into a new unit headed by a Chief Information Officer, who reports directly to me. The nature of our times, demands that we have the latest in information technology and that our systems are protected to the maximum possible extent against compromise.

I welcome your ideas for ways that we can further improve our work. I welcome, too, your work requests and your invitations to testify about matters of importance to you. And, to the extent that your schedules permit, members of Congress and staffers are welcome to look in on the various teams that we have throughout the

world at any given time so as to get a sense of what we do and how in your judgment we can do it better.

Again, I am grateful for the Congressional support that I have received to date. I look forward to working with you and your staffs in the years ahead.

Clark Kent Ervin

EXECUTIVE SUMMARY

During this semiannual reporting period new strategic goals were established for the OIG. Specifically, OIG has reviewed and monitored Department and BBG programs, activities, and operations in the following areas:

Department of State

The Department adequately protects the people, information, and facilities under its control in the United States and abroad

In support of OIG's goal to help the Department adequately protect the people, information, and facilities under its control in the United States and abroad, OIG completed an audit of the Department's background investigations program and conducted six security inspections or follow up reports and a summary of the security inspections of U.S. diplomatic posts in the Bureau of European Affairs. Security inspectors accompanying OIG inspection teams completed 13 classified security annexes, which will be summarized in a classified annex to this semiannual report.

In a review of the Department's personnel security investigations program for top secret clearances, OIG found that 98 percent of background investigations from a random sample of 50 investigations were not complete and periodic 5-year reinvestigations of employees holding top secret clearances are overdue.

OIG conducted a review of the Department's Anti-Terrorism Assistance (ATA) Program and recommended the solicitation of competitive bids, a Memorandum of Agreement to clarify ATA program responsibilities, and the establishment of country-specific objectives and measurements.

In response to the Government Information Security Reform Act (GISRA), OIG evaluated the Department's information security programs and concluded that information security weaknesses continue to threaten Department operations domestically and abroad. OIG also found that the Department has not developed performance measures for its information security program, but has made progress in implementing a GISRA provision to establish the agency's Chief Information Officer as the central management focal point for information security.

In a review of the Department's overseas wireless radio program, which provides a dedicated secure emergency and evacuation radio system, OIG found an improved security environment. Information Resource Management officials have generally established clear goals, incorporated performance measures, and worked vigorously for full implementation of the program. Additional coordination with Bureau of Diplomatic Security (DS) is necessary to ensure that local guard radios and the overseas wireless program address a shortcoming that was identified in the Nairobi bombing.

To assist U.S. Government efforts to ensure critical infrastructure protection (CIP) for the United States and our allies, OIG examined the Department's role as the lead agency for developing and implementing a CIP and its effectiveness as Foreign Affairs Functional Coordinator. The Department has made progress, but further work is required. OIG recommended that the Department assess the vulnerability of overseas operations to cyber-based disruptions; conduct security-control evaluations at least every 3 years; strengthen training; and expand the Department's international outreach.

The Department effectively, efficiently, and economically advances the foreign policy interests of the United States

A critical OIG mission is to inspect each post and bureau within the Department on a regular basis. Indeed, OIG is returning to the longstanding practice of inspecting every overseas post (and domestic bureau) at least once every five years, even though a Congressional waiver from such a statutory requirement remains in place. OIG is seeking to remove this waiver, so as again to be legally bound to such a cycle. OIG has continued its aggressive inspection program by inspecting six African, three South American, and two European posts during this reporting period.

In Africa, OIG primarily found embassies to be well run but overextended. Cut back in the early 1990s, Embassy Algiers would like to return to a more normal diplomacy program but is now neither equipped nor staffed to do so.

Operations at Embassy Djibouti are satisfactory, but its focus has been diluted and unnecessary security risks caused by the addition of Somalia to its area of responsibility. Better Internet access would benefit the isolated embassy in Asmara, Eritrea.

Overcrowded and extended over several sites, Embassy Accra does an outstanding job of reporting, but needs more staff training, file computerization, and written operating procedures.

In Gabon, Embassy Libreville's resources are overextended largely because the Department is providing a no-cost platform for another U.S. Government agency, at the expense of traditional diplomacy, and several officers have multiple duties because of chronic staffing shortages.

Budget shortfalls compromise the advancement of American foreign policy in Togo, and personnel vacancies and cramped office space hamper operations at Embassy Lome. The Department and the Bureau of African Affairs should evaluate the need for a continued U.S. presence in Djibouti and Togo and provide an appropriate level of support if such a presence is, in fact, desired.

In South America, Embassy Montevideo has coupled an aggressive commercial program with efforts to remove impediments to increased U.S. trade in Uruguay. OIG found Embassy Lima in the hands of a cohesive, well-led team, but insufficient space and resources threaten to degrade operations. Well-led Embassy Asuncion provides exemplary support to American interests in Paraguay; however, the Embassy has outgrown its chancery buildings, and the present office space is crowded and inefficiently arranged.

Although Embassy Budapest is host to a growing number of U.S. Government agencies with responsibilities outside Hungary, critical staffing gaps in the assignment of senior officers have hindered the Embassy's ability to coordinate and manage U.S. policy.

In Poland, Embassy Warsaw is doing an outstanding job of promoting U.S. interests; however, the well-organized mission performance plan needs to be better linked with resource allocation decisions. In both Hungary and Poland, the Agency for International Development mission has closed its doors, but significant U.S.-funded assistance programs continue to require coordination and tracking by the Embassy.

A review of counternarcotics in Bolivia and Ecuador found that the Bureau of International Narcotics and Law Enforcement Affairs (INL) and the Bureau for Western Hemisphere Affairs have provided effective and energetic interagency leadership. Nevertheless, to implement the Andean Regional Initiative (ARI) both bureaus should consider a more structured approach and new mechanisms for interagency coordination. INL should also consider assigning a full-time senior level ARI coordinator.

A follow up review of the Bureau of Human Resources found that the bureau is well aware of the need to draw the Foreign Service and the Civil Service personnel systems closer together. Despite improvements in workforce planning since 1997, the overall situation has not changed significantly. The Department's workforce planning remains separate from strategic planning and is focused largely on the Foreign Service, which comprises only one-third of the workforce.

OIG reviewed the Federal Voter Assistance Program and found that the lack of proper mail forwarding process resulted in 2- to 4-month delays in processing mail. OIG recommended that the Department establish procedures and revise guidance to permit use of the Department's pouches by private American citizens to return absentee voting materials to the United States.

The Department has the necessary financial and support systems and controls to meet legal and operational requirements

Reviewing financial management issues, OIG found that the Organization for Economic Cooperation and Development (OECD) has strengthened internal controls and implemented a new financial system. OIG recommended that OECD institutionalize annual external audits.

Other financial reviews found that the Bureau of Consular Affairs had addressed deficiencies in the cashing operations at the Miami Passport Office, and that the Department's Worldwide Purchase Card Program lacked the requisite documentation to determine whether 12 percent of the purchases were properly made and reconciled in a timely manner.

OIG examined two grants totaling about \$4.3 million to the Iraqi National Congress Support Foundation and questioned \$2.2 million in costs. OIG found that significant improvements in accountability were needed.

OIG also examined 20 grants totaling about \$15 million as part of an overall effort to review Freedom Support Act assistance to the New Independent States within the former Soviet Union. OIG found the grantee did not adequately account for Federal funds and overcharged for travel costs. OIG questioned costs of approximately \$8 million of which \$272,297 was unallowable.

A contract audit of uniformed armed and unarmed guard services for Department offices in greater Washington D.C., with a value of \$68 million between January 1997 and June 2001, disclosed erroneous payments of approximately \$4.6 million for higher rates than required under the contract.

OIG reviewed overseas medical operations and found that medical professionals do a commendable job of providing health care and advice under difficult conditions overseas. The Department needs to complete tracking of reimbursements for overseas hospitalizations, since it has almost \$1 million in open accounts receivable for fiscal years 1996-1999.

The Department is free of fraud, waste, abuse, and mismanagement

OIG conducts investigations of alleged criminal, civil, and administrative misconduct. The investigations conducted during this reporting period included alleged theft, employee misconduct, conflict of interest, and visa fraud.

Specifically, investigations included a conflict of interest case against a former ambassador who contacted a U.S. embassy on behalf of his new employer within one year of retirement from the Department. The former ambassador paid \$10,000 in settlement. Another senior employee was reprimanded for violation of nepotism regulations when the employee attempted to intervene in a promotion decision on behalf of a family member.

The OIG cases within the reporting period included the arrest of an attorney in New York for visa fraud, mail fraud, and conspiracy in submitting fraudulent applications to the Diversity Immigrant Lottery Program.

Another successful case involved a joint investigation with the Immigration and Naturalization Service (INS) regarding a Turkish national who was charging customers \$5,000 to \$6,000 for C-1/D-1 transit/crewmen visas. The investigation widened as two associates of the Turkish nations were found to have generated numerous letters to several U.S. consulates.

Another joint investigation determined that substantial numbers of foreign nationals obtained passports with counterfeit work-authorized visas from the Social Security Administration's (SSA) offices in Richmond and Norfolk, Virginia. Using these false documents, the illegal aliens were able to obtain work-authorized Social Security cards.

Another case of visa fraud involved a large-scale scheme to defraud the EB-5 investor visa program. The investigators determined that a company had submitted fraudulent visa petitions and other false statements to the government, pocketing approximately \$21 million.

A case of student visa fraud at a New England university found that a group operating in New York issued a substantial number of student visas to Chinese nationals who were not students.

Seven people were arrested in a case on which OIG has been working with INS, the Internal Revenue Service, and the SSA since 1999 involving visa fraud, money laundering, wire fraud, and inducement of an alien to enter the country illegally.

In another investigation in Florida, two people were arrested on money laundering charges and inducing aliens to enter the country illegally.

In October 2000, OIG cooperated with the U.S. Customs Service in an investigation of an employee accused of stealing Department computer hardware/software and selling it overseas. The suspect was arrested, tried, convicted, and is now awaiting sentencing.

OIG also investigated an allegation received by DS involving the theft of passport fees by an examiner at the New York Passport Agency.

Broadcasting Board of Governors

The BBG adequately protects the people, information, and facilities under its control in the United States and abroad

OIG conducted a security follow up review of Radio Free Europe/Radio Liberty, Prague, Czech Republic. OIG also conducted two legislatively mandated audits that focused on BBG's information systems. OIG conducted a review of Internet privacy management at BBG. We also evaluated the information security program and practices of BBG as mandated under GISRA to identify BBG policies and procedures for securing electronic information and to determine BBG's effectiveness in implementing GISRA requirements.

The BBG effectively, efficiently, and economically advances the foreign policy interests of the United States

OIG reviewed BBG's audience research operations. OIG examined BBG's progress in developing a reliable research capability, its process for collecting and utilizing audience research, and its contracting practices related to audience research. In addition, OIG evaluated the audience research performance data as reported in BBG's FY 1999 performance report under the requirements of the Government Performance and Results Act (GPRA) (Public Law 103-62). OIG found that BBG made significant progress in developing a reliable audience research capability. However, OIG recommended that BBG better ensure the use of audience research, improve its GPRA planning and reporting process, and ensure that all BBG-related contracting practices comply with OMB guidance.

In an inspection of the Sao Tome Transmitting Station, OIG found the station to be self-sufficient and effectively managed; however, several staffing issues need to be addressed.

The BBG is free of fraud, waste, abuse, and mismanagement

An OIG investigation found that several members of BBG also served concurrently on the Board of Directors of a non-governmental organization that contracts with BBG, thereby creating the appearance of a conflict of interest. While the investigation concluded that this was a thing of the past, OIG issued a Management Implication Report recommending that future BBG governors be restricted from serving on the Board of Directors of any non-governmental organization.

CONGRESSIONAL ACTIVITIES AND OUTREACH

Hearings

On June 27, 2001, the Senate Foreign Relations Committee held a confirmation hearing at which Clark Kent Ervin's nomination to be Inspector General of the Department and the BBG was considered. The Inspector General was introduced by Senators Phil Gramm and Kay Bailey Hutchison of Texas. He was confirmed by the Senate on August 3, 2001.

Congressional Requests

- In response to a request from the Senate Subcommittee on Commerce, Justice, State and the Judiciary of the Committee on Appropriations, OIG reported on an audit of the Department's explosive detection equipment.
- In response to another request from the Senate Subcommittee on Commerce, Justice, State and the Judiciary of the Committee on Appropriations, OIG reported on a review of the financial management practices of OECD.
- In response to a request from the House Subcommittee on National Security, Veterans' Affairs, and International Relations, OIG briefed the subcommittee on the managerial and contracting practices of DynCorp as they pertain to a contract with the Department for an American police presence in Bosnia.

Comments on Proposed Legislation

The Inspector General has requested that Congress delete the statutory waiver that relieves OIG from a requirement that we inspect overseas posts and domestic bureaus on a 5-year cycle. This requirement is stated in Section 209 of the Foreign Service Act of 1980 (Public Law 96-465). The new Inspector General is committed to reinvigorating and maintaining a robust worldwide inspection program and to ensuring that OIG remains focused on this core statutory mission.

The OIG reviewed the following proposed legislation:

- HR 1646 and S. 1401 – The Foreign Relations Authorization Act, Fiscal Years 2002 and 2003, which authorizes the appropriations the Department needs to carry out its authorities, functions, duties and responsibilities in the conduct of the foreign affairs of the United States and for other purposes authorized by law, including public diplomacy activities and the diplomatic security program.
- HR 2500 and S. 1215 – The Departments of Commerce, Justice, State, and the Judiciary, and Related Agencies Appropriations Act, 2002, which appropriates funds for these agencies through September 30, 2002.
- HR 2506 – The Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2002, which appropriates funds for export and investment assistance, foreign assistance, foreign military assistance programs, multilateral economic assistance, and international development and counternarcotics activities.
- S. 1428 – The Intelligence Authorization Act for Fiscal Year 2002, which authorizes appropriations for intelligence and intelligence-related activities of the United States Government.
- HR 2215 – The 21st Century Department of Justice Appropriations Authorization Act, which includes a provision to establish an Inspector General within the Federal Bureau of Investigation.
- HR 2547 – The Erroneous Payments Recovery Act of 2001, which includes a provision that agencies conduct “recovery audits” for detecting erroneous payments.

Outreach

The Inspector General addressed the September Ambassadorial Seminar for newly-appointed ambassadors to discuss the role and function of the OIG and to share with them a variety of ideas for better management of their embassies.

In June, members of the OIG executive staff met with a visiting delegation from Taiwan's Foreign Ministry to discuss the audit, inspection, and evaluation systems for oversight of foreign embassies and missions. The OIG also shared methodologies for strengthening internal management controls in government programs.

GPRA Review

The Department's strategic planning process continues to improve, although it does not yet fully comply with the GPRA. The OIG assesses Department goals and performance measures, and verifies and validates performance data, as an integral component of its audits and inspections. For example, as noted elsewhere in this report, the Department has established clear goals and measures for its worldwide purchase card program and overseas wireless program, but it has not yet developed performance measures for its information security program. Assessments of the Mission Performance Plans at the posts we inspected also found deficiencies, although some plans, like Embassy Warsaw's, were well-organized and reflected extensive consultations within the mission.

SECURITY

During the reporting period, the OIG Office of Security and Intelligence Oversight (SIO) completed an audit of the Department's background investigations program. SIO also conducted six security inspections or follow up reports and a summary of the security inspections of U.S. diplomatic posts in the Bureau of European Affairs. Continuing its practice of sending a security inspector to accompany OIG post management inspection teams, SIO completed 13 classified security annexes. Because SIO reports discuss specific security vulnerabilities of the Department and its posts, synopses of SIO classified reports will be published in the classified annex to this report, which has limited distribution. The titles of the classified reports issued during this semiannual period are listed in the appendix of this report.

Audit of the Department's Background Investigations (01-SIO-R-061)

This audit evaluated the Department's personnel security investigations program. Specifically, OIG examined the status of the Department's backlog of periodic re-investigations, along with the Department's plan for eliminating the backlog. Audit work focused on the Department's personnel security investigations for top secret clearances and whether those investigations complied with the Federal investigative standards and were conducted in a timely manner. The audit also included a review of the Department's internal controls over the personnel security investigation files.

The audit found that the Department has not fully complied with the Executive Order 12968, which established uniform Federal requirements for granting employees access to classified information to wit:

- The Department is not conducting a periodic re-investigation every five years of employees holding a top secret clearance. DS does not know the actual extent of its backlog, but was working on a list of 3,793 periodic re-investigations overdue as of the time of the audit.

- In a random sample of 50 background investigations reviewed for compliance with the Federal standards, 49 (98 percent) were incomplete. One or more of the nine required investigative areas was not adequately addressed.
- Temporary clearances have not been restricted to exceptional circumstances, the full investigations have not been expedited, and preliminary steps were not completed as required. Clearances have been revalidated for returning employees who lacked a current background investigation.
- The Department's background investigations are often not completed in a timely manner. In a random sample of 171 investigations, the length of time to complete the investigations varied considerably. The median timeframe was 6.9 months.

OIG recommends that the Department fund background investigations based on projected hiring levels and a 5-year cycle for periodic re-investigations; improve guidance and oversight over background investigations and issuance of clearances; implement a standard time frame for completing background investigations; and increase the number of personnel overseeing background investigations based on a staffing needs analysis and caseload requirements.

Audit of the State Department's Anti-Terrorism Assistance Program (01-SIO-R-085)

OIG initiated this audit to determine whether the Anti-Terrorism Assistance (ATA) program was being administered in an efficient manner and enhancing the capabilities of foreign governments to counter terrorism. This entailed reviewing ATA program management, contracting issues, performance measurement, and curriculum quality. OIG found that Department officials had different views on the direction of the evolving ATA program and the appropriate use of ATA funds. OIG also found that the use of a cooperative agreement was not appropriate and may not be the most economical or effective means of implementing ATA training. In addition, DS has not established measurable goals for participating countries to determine whether ATA training was reaping not just enhanced diplomatic relationships, but also improved anti-terrorism capabilities.

This report included recommendations for implementing a Memorandum of Agreement between S/Coordinator for Counterterrorism and DS, soliciting competitive bids for training services, and establishing country-specific training objectives and measurements.

INSPECTIONS

Inspection of Embassy Algiers, Algeria (01-FP-R-046)

Energy-rich Algeria provides significant opportunities for American diplomacy, but widespread violence in the early 1990s forced the Embassy to reduce staff and limit activities. As of early 2001, the capital (but not the countryside) was far safer, and the Department would like to conduct a more normal diplomacy program. The Embassy, however, is neither equipped nor staffed to do so.

Extensive security precautions are still needed and limit what the Embassy can accomplish. The post must also cope with chronic deficiencies in almost all support operations, from housing to basic inventory controls. All American personnel live on the Embassy compounds, but wide disparities in housing quality lower morale. Housing should be upgraded. Although allowances are generous, it remains difficult to attract experienced personnel. Security constraints and short tours contribute to, but do not excuse, poor performance. For example, there was no inventory reconciliation for eight years. When the post finally reconciled its inventory in 2000, \$1.8 million in equipment and supplies was missing.

The number of American direct hire employees appears adequate for the post's current responsibilities. Of the 35 American employees, 21 are in nonsecurity-related positions. The Algerian staff forms the backbone of the post, but few had adequate supervision.

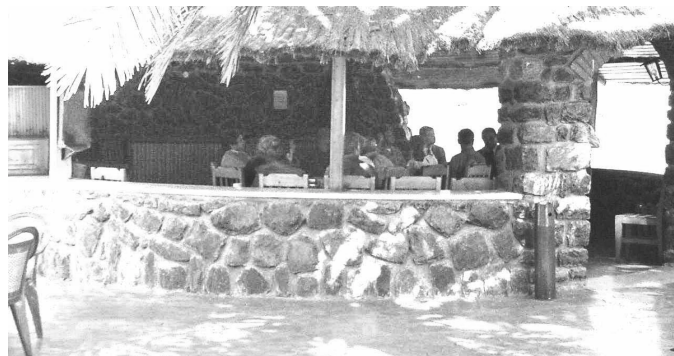
Inspection of Djibouti, Republic of Djibouti (01-FP-R-047)

Djibouti's port and airport have proved useful in dealing with humanitarian disasters and military contingencies in the region. The U.S. Embassy facilitates access, while France plays a key stabilizing role by stationing 3,000 military personnel in

Djibouti. The Embassy has eight direct hire Americans and a budget of \$3.5 million. The small, expensive Embassy rightly participates in the Special Embassy Program. The decision to cover the neighboring northwest portion of Somalia (Somaliland) from Djibouti, however, appears to reflect a loss of perspective and has resulted in needless security risks. The Department should assess the advantages and risks of a continued role for Embassy Djibouti in Somaliland. OIG also recommended immediate disposal of a costly, but still unseaworthy, boat used for recreation.

Inspection of Embassy Asmara, Eritrea (01-FP-R-049)

United States interests in Eritrea, which gained independence from Ethiopia in 1993, are largely humanitarian. The post has 22 direct hire American staff, including a U.S. Agency for International Development mission and two military offices. Designation of Embassy Asmara as part of the Special Embassy Program rightly acknowledges the limited nature of American interests. This isolated post could be more productive, particularly in procurement and commercial work, if it had better Internet access. Improved planning can achieve better balance in reporting on key issues.



Open-air conference room at Embassy Asmara.

Inspection of Embassy Accra, Ghana (01-FP-R-063)

U.S.-Ghana relations are excellent. Official visitors pour in, attracted by Ghana's democratic transition in December 2000, its pro-U.S., pro-business stance, and its increasingly significant role in regional peacekeeping. However, there may be too

much activity, considering the Embassy's support capabilities. Embassy people like their jobs: they speak of doing important work, at an interesting time, in a country with which the United States has good relations and which seems to be moving forward. All sections, however, operate at maximum tempo and Mission people are stretched and tired in the daily conduct of their business.

Accra is already a major presence for the United States in African embassies, and it is continuing to grow. The staff is comprised of 77 direct hire Americans, 15 contract Americans, and 362 Foreign Service nationals. The Embassy's FY 2000 budget was approximately \$7.3 million. U.S. Agency for International Development programs dispense \$55 million a year. Other agencies at post include the Peace Corps, the INS, and Defense. The Administrative section is concerned about the need to find office space for three to five additional direct hire Americans.

The Embassy must conduct its relations with the Government of Ghana via dysfunctional Embassy offices and communication systems. It is difficult to build a coherent team when the cramped, overcrowded Embassy offices are spread over six campuses. Poor intramission communications (traffic, congested streets, bad phones, limited e-mail connectivity, too few motorpool vehicles, and no Internet in the chancery) make it even more difficult. A new office building is about ten years in the future.

The well written, 60-page Mission Performance Plan (MPP) may be too ambitious, both for Ghanaians and for the United States. The Embassy's coordination of the various available U.S. government assistance programs in support of MPP goals is masterful. On the other hand, Ghana's new government must focus first on survival.

OIG concurs with the assessment of Washington readers that "...Ghana's reporting is the most outstanding all around." Embassy officers' relationships of trust with their contacts paid off during Ghana's December 2000 pre-election jitters, enabling the Mission to report on possible problems and to act in a timely manner to avert them. Even though a lack of support from the U.S. Foreign & Commercial Service hampers the Mission's ability to exploit opportunities for U.S. business, the Mission has logged some commercial successes. In the consular section, work is needed on written standard operating procedures, staff training, computerization of files, and anti-fraud measures. With sharply increased nonimmigrant visa applications boosted by Ghana's collapsing economy, there is a rising incidence of fraud.

OIG advised the Embassy to moderate and better control the pace of relations. Slowing the tempo would help not only internally, but perhaps also with the newly appointed and overwhelmed officials of the Ghanaian government.

Inspection of Embassy Libreville, Gabon (01-FP-R-O65)

No senior Department officer has visited Libreville, Gabon in many years. At U.S. urging, Gabon contributed troops to a U.N. peacekeeping mission in the Central African Republic. During Gabon's recent term on the U.N. Security Council, it voted more often with the United States than any country but the United Kingdom. Libreville has served as a base for five noncombatant evacuation operations in the last 7 years; there could be more. Gabon exports \$2 billion in oil, mostly to the United States. Gabon's per capita income is Africa's highest. Gabon's human rights performance is fair. There were no reports last year of politically motivated killings, and the press was allowed to criticize the government in a limited way.

Embassy Libreville's Mission Performance Plan goals are ambitious, and the Embassy's resources are overextended. This applies especially to the Embassy's support for extensive activities on behalf of the Department of Defense (Defense), which maintains no representation in Gabon. It has prevented the Embassy from developing and reporting on contacts with a full range of significant political figures. It has also had an adverse impact on consular management in an environment of persistent fraud. The Department is providing a no cost platform for another U.S. Government agency, at the expense of traditional diplomacy, which is the Department's core mission.

Administrative services burden an overworked administrative officer who is responsible for security, immediate oversight of budget and fiscal and human resource operations, the community liaison officer, and the medical unit the Department shares with the Peace Corps. Further, he also supervises the general services officer, a first-term junior officer who is located at the warehouse, and the information management officer, whose section has suffered prolonged staffing gaps.

Support from the Department and regional officers is inadequate. The post has faced long gaps at crucial positions. Working conditions are poor, and a 3-year tour of duty policy further discourages mid-grade officers from putting Libreville on their bid lists. Section chiefs are often on their first or second tour, and they are overwhelmed by the challenges of working in Central Africa. Embassy staff who coordinate assistance programs lack the training and information resources for efficient management.

After its 1995 withdrawal from Libreville USIA adopted a “no residuals” policy, denying public diplomacy resources of any kind to posts with no U.S. Information Service operation. The Bureau of African Affairs’ Public Diplomacy Office is now considering a proposal known as “Africa Public Diplomacy-Lite” to provide basic product and program support plus access to specific programs, which could be ideal in meeting Libreville’s public diplomacy needs.

OIG recommended that the Department, in conjunction with other agencies, especially Defense, determine whether to remain in Gabon. If a decision is made to continue U.S. presence in Gabon, the Department and Defense must provide the post with adequate personnel and material resources.

Inspection of Embassy Lome, Togo (01-FP-R-O66)

Togo is one of Africa’s poorest nations. Togo has a deplorable record on human rights and receives no direct U.S. aid. The United States seeks to promote democracy, human rights, and sustainable economic development there. However, it has few resources to apply to these goals, and trends in Togo often seem to be moving in a negative direction. With Togo’s economy at a low ebb trade with the United States is at minimal level, with few near-term opportunities for increased U.S. sales. Consular fraud is a persistent problem.

The Ambassador and DCM provide superb leadership to their Embassy of 11 direct hire Americans, 3 of whom are first-tour officers. There are 12 other Americans on the Embassy staff. OIG has rarely seen a post whose ratings for front office leadership and administrative satisfaction were both as high.

The local hire staff is not small: it includes 167 local security personnel and 105 Foreign Service nationals. The Embassy’s budget is \$3.5 million. Department, bureau, and regional support, however, falls far short of what is needed to attain or even to approach the Embassy’s goals. The Embassy has endured long personnel vacancies. Local staff has no reliable retirement scheme. There is little prospect of early movement on a badly needed new chancery complex. Our people, meanwhile, work in an unsafe, cramped, and inefficient work environment.

OIG recommends that the Department and the Bureau of African Affairs evaluate the need for continued U.S. presence in Togo. If the Department intends to keep an embassy in Lome, an increased level of support is necessary.

Inspection of Embassy Montevideo, Uruguay (01-FP-R-056)

Embassy Montevideo has undertaken an aggressive commercial program coupled with efforts to remove Uruguayan legal and practical impediments to U.S. trade. The Embassy pursues improved cooperation in other areas such as protection of intellectual property, the environment, and law enforcement. The United States also seeks to strengthen democracy in Uruguay by improving civil-military relations, which are complicated. A long democratic tradition was interrupted by a 12-year period of military dictatorship beginning in 1973. Uruguay is a significant partner in international peacekeeping efforts, contributing specialized military units to a number of peacekeeping operations. The United States has a small counternarcotics assistance program to encourage Uruguayan efforts against money laundering and the transit of drugs.

The Embassy's Mission Performance Plan provides a road map of clear performance indicators and is used as an ongoing management tool. The Embassy does an outstanding job of communicating its message to the Uruguayan public and elites, despite very limited staffing in the public affairs section. One of the post's principal staff resources, the political/labor/economic/commercial section, needs better internal communication and more structured interaction with other mission units.

The consular section is adequately staffed to meet reduced needs in the wake of the application of the visa waiver program to Uruguay. Poor management within the section has led to morale problems and missed deadlines. The administrative section is well staffed and delivers excellent services. OIG made several recommendations to speed response time and bring post practice into alignment with Department policy. The current retirement "system," whereby FSN employees are left to plan for the future on their own, is unfair. The post and the Department should accelerate the effort to enroll employees in a responsible private retirement fund.

The post should consider replacing the local guard force with a contract guard force. The increased cost that will occur should no longer be used as a pretext to postpone this essential step.

Inspection of Lima, Peru (01-FP-R-O57)

U.S. interests in Peru center on promoting democracy, combating narcotics trafficking, and encouraging free market economic development. The experienced country team is cohesive and well led by an active Chief of Mission, whose counsel influences the Washington policy process. The Mission Performance Plan is comprehensive but needs updating to account for the dramatic political developments of the past year. Reporting assets also should be better integrated. Public affairs activities are effectively employed in support of Embassy goals.

U.S. support for a free and fair presidential election has helped Peru recover somewhat from former president Fujimori's scandal-plagued legacy. Democracy is intact but fragile. Continued U.S. engagement and coordination with the international community will be crucial. Counternarcotics operations, particularly eradication of coca (the raw material for cocaine), have slowed as the government copes with the immediacy of other issues. Peru's weak economy fosters widespread poverty that provides fertile ground for the lure of drug cultivation and trafficking. The Embassy is effective in promoting U.S. trade with Peru.

The large chancery, built to Inman security standards, and U.S. personnel are well protected, although consolidation of U.S. agencies on the compound is ongoing and public access is difficult. American staff has grown by 33 percent since 1995, leading to overcrowding in some parts of the chancery and overburdened support systems. This will grow worse when 157 U.S. Agency for International Development (USAID) staff move to a new building on the compound next year. Insufficient resources hamper Embassy operations. The consular section is addressing a massive growth in visa demand that has led to long lines and poor customer service. More local staff is needed, and public access must be facilitated. Foreign Service national employee morale has suffered because of large increases in health insurance premiums and the Embassy's inability to adjust salaries and benefits according to the results of the latest local wage surveys.

Inspection of Embassy Asuncion, Paraguay (01-FP-R-058)

Embassy Asuncion's primary goal is strengthening democratic institutions and civil society in this emerging democracy. Inadequate Paraguayan institutions impede Mission programs to combat narcotics trafficking, money laundering, intellectual property piracy, and international terrorist organizations. The Ambassador and DCM provide clear and effective executive direction and enlist the support of counterparts from Brazil and Argentina to increase diplomatic and economic leverage on the Government of Paraguay.

Support to American business interests is exemplary. The post has been imaginative in bringing Paraguayan businessmen into contact with American trade missions and aggressive in assisting American companies caught in the maze of Paraguay's judicial system. The Embassy does an outstanding job of promoting environmental protection in a country that has two sensitive endangered ecosystems. Well-orchestrated public diplomacy, with careful attention to the media, is a key component of Embassy success in meeting its goals.

The post is administered well, despite modest American staffing. In the recent past, long gaps between assignments of American supervisors led to institutional drift, which a new management team is addressing. The Interagency Cooperative Administrative Support Services Council should meet more regularly and explore ways to eliminate duplicate services such as shipping and customs, procurement, and residential maintenance now offered by the Embassy, USAID, and U.S. military component administrative sections.

Embassy Asuncion has outgrown its chancery buildings. Office space is crowded and inefficiently arranged. Parts of the main building, the administrative annex, and the Marine residence do not have adequate setback from a major road. The approximately 15-acre compound is large enough to resolve all issues through new construction. Long-range planning for such construction should not delay needed short-term fixes, however, such as remodeling the consular section to address internal controls inadequacies, relocating the offices of the Drug Enforcement Administration, and restoring to the Embassy its much needed conference room. The inspection found post physical security and emergency preparedness programs to be in good working order. Inattention to customer service by the security staff has led to a perception of ineffectiveness and a loss of confidence in the section by Mission personnel. Post management is working with DS to improve the performance of the security team.

Inspection of Embassy Budapest, Hungary (01-FP-R-090)

For the past several years, Embassy Budapest has pursued an initiative-based approach to policy management. At the urging of the former Ambassador, the Mission launched a series of related activities to advance specific objectives. Some accomplished much. Others were less impressive. Embassy Budapest, under new leadership now, should initiate a mission-wide review and establish a new Embassy work program reflecting U.S. priorities and changed circumstances within Hungary and the Mission.

There was a long period during which there was no U.S. Ambassador in Budapest. The absence of a Chief of Mission hampered Embassy Budapest's ability to coordinate and manage U.S. policy in Hungary. The problem was further complicated by the lack of senior officers at the post and by the departure of several experienced country team members. The Department needs to review procedures for executive-level assignments and to develop and implement a plan to ensure that anticipated gaps in the leadership of diplomatic missions are covered by experienced officers of appropriate rank.

Embassy Budapest, at the direction of the former Chief of Mission, raised significant sums of money for cultural programming under authorities transferred from USIA to the Department following consolidation. The post, in several instances, went beyond guidelines for both the solicitation and acceptance of gifts. Solicitations were made to firms that did not meet established criteria. Some donors were involved with both the Mission and the host country. Others were not U.S. organizations. The same donors were repeatedly approached, and some funds had to be returned. The Department needs to review its guidance and strengthen its oversight procedures in this area.

Embassy Budapest needs to reassess its cultural programming and bring these activities into better balance with U.S. interests and the Mission's ability to sustain them.

Although the USAID mission has closed its doors in Budapest, significant U.S.-funded assistance activities continue. Embassy Budapest is hard pressed to track, much less coordinate, these activities. There is an extensive network of other government and private sector donors. The Embassy has some contact with these groups, but the effort is far less comprehensive than when the USAID mission was

present. Embassy Budapest needs to improve coordination with other donors and ensure that U.S.-funded activities are consistent with mission priorities.

Embassy Budapest is host to a growing number of U.S. Government agencies with responsibilities outside Hungary. This has generated increased demands on the Mission for support and office space. While there are good reasons to select Budapest as a center for regional activities, neither the Department nor the Embassy has a plan that defines the post's regional role and establishes a framework for the post's future development. Without such a strategy, sound judgments cannot be made about staffing, infrastructure, and other resource needs.

Embassy Budapest, in its search for additional work space for an expanding staff, has proposed a property trade to acquire two buildings adjacent to the chancery. Funds have not been identified for the extensive renovations needed to make these buildings usable. An alternate, interim location would have to be found for the Marine security guard detachment, which currently occupies the property to be traded. The Department and Embassy Budapest must determine future staffing needs in Hungary before a decision is made on this or any other proposal to expand facilities at Embassy Budapest.

The nonimmigrant visa workload has risen by 30 percent in the last two years, as has the related refusal rate. This has reduced Hungary's prospects for participation in the Visa Waiver Program, leading to increased pressures from Hungarian authorities for the United States to find a way to include Hungary in the program despite the high refusal rate. Embassy Budapest, which is doing a commendable job so far, needs to redouble its efforts to explain U.S. visa laws and procedures, the reasons for refusals, and the factors affecting Hungary's accession to the Visa Waiver Program.

Embassy Budapest deserves great credit for the outstanding support it provided to the Office of Yugoslav Affairs. By providing an effective platform for U.S. efforts to restore democracy to Yugoslavia, while still pursuing its bilateral agenda, Embassy Budapest made a major contribution to a critical U.S. objective in the region. Others can benefit from this experience, and Embassy Budapest needs to prepare a report on lessons learned.

There are few management controls for nonexpendable property. Shortages in excess of \$160,000 were reported and still have to be fully resolved. In addition, controls for funds needed to support the Office of Yugoslav Affairs, as well as controls over the collection, expenditure, and reporting of monies raised for cultural events, need strengthening. The certification of management controls by the former Chief of Mission did not identify these weaknesses.

Inspection of Embassy Warsaw, Poland (01-FP-R-091)

Embassy Warsaw is doing an outstanding job of promoting U.S. interests in Poland. The United States strongly supported Poland's application for membership in NATO and backs its current efforts to join the European Union. Poland, a recent graduate of U.S. bilateral assistance and Peace Corps programs, is firmly committed to democracy and a market economy. Poland is a success story both for the Polish people and for the United States.

The United States has a growing economic stake in Poland. Between 1993 and 2000, U.S. investment increased almost sixfold to over \$7 billion. Exports from the United States, on the other hand, declined more than 8 percent in 2000, in part as a result of tariff discrimination in favor of EU products. Embassy Warsaw is focused on this issue but needs to coordinate its advocacy and reporting more effectively with similar efforts by the U.S. Mission to the EU and U.S. embassies in EU member states.

Embassy Warsaw places appropriate high priority on Holocaust issues. Absence of a strategic approach that places these concerns in a larger international context, however, encourages Embassy Warsaw to view matters raised by the Jewish-American communities as potential irritants to bilateral relations rather than in the larger context of which they form a part. These concerns in Poland can most effectively be addressed as part of an overall U.S. Government approach to the full range of Holocaust issues, including an international regime for historic preservation of the extermination camps in Poland and elsewhere.

The United States has provided billions of dollars in assistance to Poland in the past decade. Although the USAID mission closed in late 2000, the United States continues to supply substantial sums to Poland through regional programs and activities managed from Washington. Embassy Warsaw needs to develop a mechanism to ensure that all U.S. Government assistance activities fit into a mission-wide strategy reflecting U.S. priorities and objectives.

Embassy Warsaw has or is developing the tools to make an already impressive outreach effort even more effective. It was making good use of working groups to address mission-wide concerns. It had taken steps to develop a comprehensive contacts database. These efforts need to be expanded to include more systematic mission outreach to other groups, including nongovernmental organizations, drawing on information already available as a result of efforts by Mission elements and decade-long USAID and Peace Corps activities throughout Poland.

Polish-American communities in the United States play a significant role (both in the United States and Poland) in the debate on policy issues relating to their country of ethnic origin. Communities in the United States were heavily engaged in the domestic discussion of NATO expansion and in earlier consideration of major bilateral assistance programs for Poland. These groups, however, are less informed about other foreign policy aspects of U.S.-Polish relations. Embassy Warsaw and the Department need to expand and maintain continuing contacts with the Polish-American communities in the United States.

The Mission makes good use of technology, including digital video conferencing, to improve outreach and communication within the Mission. However, internal communication and coordination remain uneven. Shortcomings in the downward and lateral flow of information were consistent themes in staff responses to OIG questionnaires. These matters will require the continuing attention of post management.

The chancery and annex buildings in Warsaw need additional major renovations and a reconfiguration of space to permit more efficient operations. Additional piecemeal changes will be more costly than developing a plan that addresses all aspects of the project, including financing. Embassy Warsaw has requested funds for a master architectural plan to rationalize chancery facilities. OIG endorsed this request.

Embassy Warsaw's Mission Performance Plan is a well organized document, reflecting extensive consultations within the Mission. It is less impressive in developing performance indicators for evaluating progress toward the objectives it identifies. The plan's uncertain linkage with resource allocation decisions, either in Warsaw or Washington, is a more serious shortcoming that the Department needs to address.

Embassy Warsaw has a first-rate consular operation, which includes Consulate General Krakow and a Consular Agency in Poznan. The nonimmigrant visa workload is steadily increasing, rising 17.5 percent in FY 2000 over the previous fiscal year. The demand for American citizens services is also increasing. Embassy Warsaw's growing consular workload could be eased by transferring responsibility for processing Ukrainian K visas from Embassy Warsaw to Embassy Kiev and by tightening diversity visa controls.

Management controls are in place and functioning well, with one notable exception. There was a serious vulnerability in the financial management of grants awarded by the public affairs section. Obligations under the Democracy Commission Small Grants Program were mistakenly recorded and the grants were not executed until the subsequent fiscal year, constituting a possible administrative violation of the Anti-Deficiency Act.

Best Practices

During the course of its post inspections, OIG noted the following “best practices” that are worthy of consideration by other posts.

Electronic Human Rights Log

Information relevant to the annual country report on human rights practices may come through a variety of open and confidential sources. Coordinating the annual update normally would involve many hours of painstaking research. In response, the American and FSN reporting officers at Embassy Accra have access to a common unclassified document in a shared computer drive, the human rights log. As each of them obtains information, they create unclassified entries suitable for inclusion in the annual update of the country report. As a result, the task of updating the human rights report each year can now be accomplished efficiently.

Electronic Biographic Files

In a busy political section, where everyone is pressed for time, it is difficult to keep the biographic files current. In response, the front office, American and FSN reporting officers, and office management specialists have access to a shared unclassified computer drive in which unclassified biographic sketches are filed. As they obtain new information about listed people, they update the entries. The Embassy also maintains classified biographic files on a shared classified computer drive. When the Ambassador, DCM, or visiting delegations are preparing for meetings, they have immediate access to the biographic information they need without extra effort by staff members.

Electronic Document Template for Creating Diplomatic Notes

The creation, delivery, distribution and filing of diplomatic notes is a problem at many posts. Different sections may have the action on different diplomatic notes; typing the notes in the correct format to fit on the specially sized paper is time consuming. Host government action may pass from one office to another. Filing and subsequent retrieval can be problematic. In response, Embassy Accra uses an electronic document template for diplomatic notes. It eases the procedure of assigning a note number. It creates a cover sheet that records host government delivery information as opening and closing courtesies, and permits electronic insertion of text

directly from demarche instructions or other documents. It also eases the creation of any necessary attachments.

American Warden Recognition

A consular section is tasked with providing protection to American citizens residing in or visiting a consular district. American wardens help the consular section keep track of the American community and are the Mission's main route for passing emergency messages to the American community as part of the emergency preparedness program.

To achieve this, wardens are required to keep track of the American citizen population in their residential areas and to attend a minimum of one warden meeting a year. Keeping track of who is present and who has departed the area is difficult for the consular section without the assistance of conscientious wardens.

In response, in January 2001, the consular section at Embassy Lome hosted an American community town meeting to introduce the new Ambassador, DCM, and consular officer. The wardens were also available to meet new arrivals to their areas and each other. The consular section had selected four wardens who had performed their duties well by notifying the consular section of new arrivals and recent departures. The Ambassador presented certificates of appreciation to these wardens. This resulted in acknowledgment of the importance of a warden network and of its service to the American community.

Timeliness and Presentation of Reporting

The number of senior officials who read cable reports has diminished as the volume of cable reporting has increased. As a result, Embassy Budapest is sending record traffic via classified e-mail, using a new, more attractive and readable format, including photographs, charts, and other graphics, to enhance the effectiveness of the reports. The improved reports have drawn high praise from analysts and policy makers in the Department and other agencies.

American Travelers Victimized by Scams

In Budapest, some unscrupulous nightclubs and restaurants lure in customers, especially tourists, and force them to pay exorbitant bills. In response, the embassy has begun tracking the location and details of

such incidents, publicizing them in the local media, and warning the embassy staff and visitors, thereby reducing the number of Americans victimized in these scams.

Using Teamwork to Promote Military Sales

At the direction of the Ambassador, Embassy Warsaw established Team Falcon in an effort to convince Poland to purchase U.S.-made F-16 aircraft to meet its NATO force requirements. Team Falcon, chaired by the Deputy Chief of Mission, and including civilian and military components of the mission, has worked closely with the U.S. manufacturer to develop a comprehensive strategy for promoting the F-16 and ensuring a level playing field in stiff competition with European Union companies. Public diplomacy activities in support of the effort included an F-16 website and a defense symposium highlighting the capabilities of the U.S. multi-role fighter. As a result of the efforts of this task force, the F-16 is expected to win the sale when the results of the public tender are announced.

Digital Video Conferencing

To enhance mission communications and expand outreach activities, the American Information Resource Center (AIRC) of the public affairs section at Embassy Warsaw created a multipurpose media room that can be used to conduct digital video conferences. As a result, communication and coordination between the Embassy and the consulate general in Krakow, which has similar facilities, have been enhanced through weekly digital conferences. The new telecommunications systems allow the embassy to take part in programs linking Polish and American entities, including academic institutions and the media.

User Friendly Information Systems Services and Support

The Information Systems Center at Embassy Warsaw designed and distributed an attractive brochure detailing available information systems services, including information about computer training, the print shop and the locations of common user work stations. The pamphlet also contains access request forms, as well as photos of members of the information staff. As a result, mission personnel are better informed about what services are available, and are more familiar with the information systems staff.

Compliance Follow-Up Review of the Inspections of the Bureau of Human Resources and The Foreign Service Institute (01-HR-R-O60)

This review found that the Bureau of Human Resources is well aware of the need to draw the two personnel systems closer together and has clearly enunciated this objective in its Bureau Performance Plan (BPP) for 2001-2002. This plan evidences a strong interest in greater assignment integration and in expanding training and professional development for Civil Service personnel.

Despite improvements to some individual workforce planning system components since 1997, the overall situation has not changed. The Department's workforce planning remains separate from strategic planning and focused on the Foreign Service, a third of the workforce. Resources needed to develop a workforce planning system are in short supply.

The Department lacks the human resources necessary to mount a fully effective job training and professional education program for the current workforce. Managers at every level in the Department consistently acknowledge the need to do more in management training and leadership development, but point to a severe lack of resources as the principal barrier. M/DGHR estimates that the current workforce needs to be enlarged by approximately 1,200 positions, at a cost of approximately \$1 billion annually. These additional resources are needed to release employees from their jobs to pursue identified training requirements (a so-called "personnel float" similar to that used by the U.S. military).

The Department's emphasis on expanding training, and its intent to seek the staffing increases needed before a major increase in training, are both set forth in the M/DGHR BPP for 2001-2002. However, these future increases in training assignments, by expanding both the importance and the volume of skill and assignment-oriented training, will require a more comprehensive, systematic approach to planning and anticipating the Department's overall training workload.

Review of Implementation of the Federal Voter Assistance Program (01-FP-M-045 and 01-FP-L-055)

At the request of the American Foreign Service Association, OIG reviewed the Department's implementation of the Federal Voter Assistance Program (FVAP), including mail support for FVAP. This review was conducted concurrently with the Department of Defense (Defense) OIG and the General Accounting Office (GAO) reviews of the Uniformed and Overseas Citizens Absentee Voting Act of 1986 (Public Law 99-410). The purpose of FVAP is to help members of the United States Uniformed Services, family members, and nonmilitary American citizens residing abroad to participate in primary and general elections when they are unable to vote in person at the polls. Defense is the lead agency for FVAP, and the Department implements FVAP for over 3.8 million nonmilitary American citizens residing abroad.

The purpose of this review was to determine how well the Department and voting assistance officers have implemented FVAP in support of American citizens abroad; what impediments, if any, there are to the Department's implementation of FVAP; and how the Department can improve FVAP services, including mail, for all American citizens supported by our posts abroad.

OIG found that the Department's policies, procedures, and implementation of FVAP, in partnership with nongovernmental organizations (NGOs), are generally meeting the absentee voting needs of American citizens abroad. Post voting assistance officers received favorable overall satisfaction ratings of 75 percent by those U.S. Government and private American citizens polled by OIG. OIG found, however, that the Department's implementation of FVAP needs improvement, specifically its outreach to nonmilitary American citizens abroad. Additionally, the Department's FVAP planning, funding, and training have not adequately prepared it to provide voter assistance to the 3.8 million nonmilitary Americans residing abroad. Of the 136 posts responding to OIG's absentee voting survey only 18 indicated that their voting assistance officers had received Defense Federal Voter Assistance program training.

OIG's review of the military postal system and the Department's diplomatic mail and pouch support to posts abroad resulted in OIG's finding no evidence to support assertions that the lack of postmarks caused many absentee ballots to be disqualified by local election officials. GAO has testified that its limited review of the

military postal system and postmarking procedures after the election did not indicate that either missing postmarks or the lack of timeliness of mail delivery represented a systemic problem.

Among a number of recommendations, the OIG urged the Department to position itself for a more active role in FVAP implementation by structuring, planning, and programming for increased outreach to American citizens abroad, by identifying its FVAP training needs, and by developing FVAP instructors of its own

unilaterally to train or assist Defense FVAP instructors in training Department and NGO voting assistance officers abroad. OIG also recommended that the Department acknowledge the contributions of NGOs in providing absentee voter assistance abroad and foster increased cooperation in the future.

A related but separate project was a review of the mail support for the FVAP. OIG evaluated the Department's FVAP services during the 2000 elections and identified ways those services could be improved. Specifically, OIG reviewed the Department's mail and pouch service used to transport absentee ballot material for authorized public and private American citizens residing abroad. OIG found no systemic problems with the mail and pouch system.



Sample post outreach material, coordinated and implemented with nongovernmental organizations.

We found, however, that a lack of mail forwarding procedures resulted in up to four month delays in processing mail for personnel who had departed a post. OIG also found that the Department's guidelines for mailing absentee voting materials to the United States restricted authorized use by private American citizens abroad.

OIG recommended that the Department develop and implement guidelines to establish procedures for forwarding mail that include a locator system, maximum processing times by which mail must be forwarded, and internal controls to ensure that mail is expeditiously forwarded. We also recommended that the Department update the Foreign Affairs Manual to communicate clearly that private American citizens can use the Department's diplomatic mail and pouch system to return absentee voting materials to the United States.

Review of Mission Counternarcotics Activities in Bolivia/Ecuador (01-FP-PM-087)

OIG reviewed counternarcotics programs and activities under the umbrella of Chief of Mission oversight at Embassies La Paz and Quito. The review focused on Chief of Mission oversight, direction, and coordination of in-country counternarcotics activities; interagency coordination and communication; counternarcotics assistance programs and activities, particularly coordination and oversight of assistance programs, law enforcement activities, and public diplomacy; personnel and budgetary resources available to the Chief of Mission; and regional issues, including coordination and communication among the regional embassies and with Washington.

In Bolivia, the team found an Embassy committed to implementing a far-reaching counternarcotics strategy focused on both eradication and interdiction. However, serious challenges lie ahead, as Bolivia faces a period of political uncertainty with President Banzer's passing from the political scene. During this difficult transition period, the Embassy needs a more structured approach to coordination between the programs of INL and USAID, and leadership continuity in the Narcotics Affairs Section (NAS).

In Ecuador, counternarcotics have traditionally been a secondary priority. However, program growth under the Andean Regional Initiative (ARI) and the presence of the Manta Forward Operating Location demand a readjustment in Mission priorities. The review cites a need to strengthen the NAS, to upgrade the Mission priority accorded to counternarcotics, and to develop a more effective approach for dealing effectively with the Ecuadorian military's reluctance to accept a primary counternarcotics role.

In the Washington arena, INL and the Bureau for Western Hemisphere Affairs have provided effective and energetic interagency leadership. In order to implement the ARI, OIG recommends that both bureaus consider a more structured approach and possibly new mechanisms for interagency coordination. INL should also consider assigning a full-time senior level ARI coordinator.

AUDITS

Senior Management Attention Needed to Ensure Effective Implementation of the Government Information Security Reform Act (01-IT-M-082)

In response to the Government Information Security Reform Act (GISRA), Public Law 106-398, OIG performed an independent evaluation of the information security program and practices of the Department. GISRA provides: (1) a comprehensive framework for establishing and ensuring the effectiveness of controls over information resources; and (2) a mechanism for improved oversight of Federal agency information security programs. The objective of our review was to determine whether the Department is effectively implementing key requirements of GISRA, including those pertaining to security planning and risk management, information security roles and responsibilities, training, and performance measures.

OIG's evaluation of the effectiveness of the Department's information security program found mixed results. Specifically, OIG concluded that information security weaknesses continue to threaten Department operations, both here and abroad. Both OIG and DS evaluation reports over the past 2 years identified weak information security management practices at dozens of overseas posts. For example, only 10 of the 35 posts in one geographic region reviewed by OIG security teams in 1999 and 2000 were reported to have adequate information security procedures in place. Further, according to OIG's survey questionnaire, although 59 percent of the Department's 371 systems are reported to have completed risk assessments, only 10 percent are reported to have security plans, as required by GISRA. We recommended that the Chief Information Officer (CIO), in coordination with DS, develop a strategy and timetable for ensuring that all of the Department's systems/applications address each of the key system security elements identified in the report.

The Department has made progress in implementing a key GISRA provision—establishing the agency's CIO as the central management focal point for information security activities. On August 20, 2001, the Deputy Secretary of State issued a Delegation of Authority to the CIO to administer the Department's information

security program. The CIO's new role as the administrator of this program establishes the central management focus on information security that is required by the law and puts the Department in a better posture to protect information technology assets from security risks.

OIG also found that the Department has not developed performance measures for its information security program, which are required by both GISRA and GPRA. In response to a draft of this report, the Under Secretary for Management's office said that by October 15, 2001, the Bureau of Information Resource Management, working with DS, would develop measurable and meaningful performance measures for the Department's information security program. This is important, because without usable performance measures, the Department is unable to assess the adequacy and effectiveness of information security policies and procedures and is hindered in its efforts to implement a results-based information security management program. We recommend that the CIO ensure that program managers develop and use GPRA and GISRA performance measures in support of the Department's information systems security program.

Review of the Overseas Wireless Program (O1-FMA-M-053)

OIG reviewed the Department's implementation of the Overseas Wireless Program (OWP) to determine the degree to which the OWP has improved the security environment at overseas posts. The specific objectives of this review were to determine whether: (1) the goals and objectives of the OWP were clear and achievable, (2) posts' Emergency Action Plans (EAPs) effectively integrated the OWP, and (3) the Department obtained the best value to the Government in the procurement of products and services. OIG also assessed the degree of IRM's compliance with the GISRA in implementing the OWP.

The Department initiated the OWP in October 1998 in response to the terrorist attacks on U.S. Embassies Nairobi and Dar Es Salaam and to address prior OIG security inspections that recommended strengthening the Department's overseas radio programs. OIG observed that the OWP program has improved the security environment overseas by creating dedicated Emergency & Evacuation (E&E) radio networks, adding encryption capability as a security enhancement, and providing newer and more robust equipment. IRM officials have generally established clear goals for the program and have worked vigorously for implementation. IRM officials have also incorporated performance measures into the OWP. Officials in the field

had differing opinions on how an E&E network with OWP equipment should work and some skepticism that it was even necessary in some posts where risks are perceived as lower. The OWP has not always led to fully implemented E&E programs overseas. IRM's plans to perform follow-up visits to OWP posts should help address these concerns, but the regional bureaus and post management must take action as well.

Major recommendations include the one that IRM re-examine E&E radio distributions to specific posts, and that the regional bureaus stress to posts the importance of fully incorporating E&E procedures concerning the OWP into the posts' EAPs.

Critical Infrastructure Protection: The Department Can Enhance Its International Leadership and Its Own Cyber Security (O1-IT-R-044)

OIG reviewed U.S. Government efforts to ensure critical infrastructure protection (CIP) for the United States and our allies in conjunction with a President's Council on Integrity and Efficiency assessment of implementation at several departments and agencies of Presidential Decision Directive 63. Pursuant to this directive, the Department is responsible for developing and implementing a CIP plan to protect its critical facilities and information systems, and for serving as Foreign Affairs Functional Coordinator. OIG's assessment concluded that the Department has made progress in meeting these responsibilities, but that further work remains to be done.

Specifically, OIG reported that the Department's:

- International outreach strategy is unnecessarily constrained, and, does little to encourage the development of preventative measures needed to protect global critical infrastructure;
- The CIP plan provided a suitable framework for addressing minimum-essential infrastructure. However, the plan does not address potential cyber vulnerabilities in foreign operations or in interagency connections (e.g., between the Foreign Service National Payroll System and the Treasury Department); and
- Policies and programs concerning information security training awareness were not sufficient to ensure that employees are properly trained to protect the agency's information systems.

OIG has made a number of recommendations to strengthen the Department's approach to CIP planning. Among other actions, the Department should:

- Assess the vulnerability of the Department's foreign operations to cyber-based disruptions;
 - Conduct security controls evaluations of all minimum-essential cyber infrastructures at least once every 3 years;
 - Strengthen information security training policies and procedures through changes to appropriate sections of the Foreign Affairs Manual; and
 - Expand the Department's international outreach approach to include a wide range of friendly countries requesting such assistance.
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Review of Overseas Medical Operations (01-HR-M-036)

OIG reviewed the Department's overseas medical operations. OIG found that overseas medical professionals do a commendable job of providing health care and advice under difficult conditions. Additionally, the Office of Medical Services (MED) is currently working on several major initiatives to improve the health of Foreign Service employees and their family members. Nevertheless, OIG found several areas in which the Department could improve its management of the overseas operations. For example, MED did not ensure that all clearances were updated after medical evacuations. As a result, there are employees at posts whose clearances are still pending. OIG also found that MED did not have adequate controls over all of its drugs and supplies. At the posts visited by OIG, controls to prevent the theft or misuse of narcotics and other controlled items were generally adequate. However, noncontrolled drugs and supplies were not always safeguarded. Finally, MED did not maintain copies of Post Medical Capabilities Reports and trip reports submitted by Regional Medical Officers. Thus, MED did not have an up-to-date picture of the conditions at all of its overseas health units.

OIG found that the Department did not ensure complete and timely tracking of reimbursements for overseas hospitalizations. In these cases, employees are expected to file claims with their insurance carriers and then reimburse the Department. MED and the Bureau of Financial and Management Policy are not applying existing controls to ensure complete and timely reimbursement. Consequently, the Department has almost \$1 million in open accounts receivable for FYs 1996-1999. OIG made several recommendations to improve the Department's performance in this area.

Need to Improve Internal Controls in the Miami Passport Office (01-FMA-M-040)

OIG examined some serious deficiencies in the cashiering operations at the Miami Passport Office as a result of an investigation requested by the Department's Bureau of Consular Affairs (CA). While OIG has initiated a more thorough review of other domestic passport operations, including cashiering, OIG identified some internal control weaknesses related to cashiering that were brought to management's immediate attention.

Overall, OIG found that internal control over cashiering at the Miami Passport Office to be deficient. OIG found that a number of requirements included in the CA policy manual were not being followed, such as reconciling receipts and proper closeout procedures. In addition, OIG believes some issues were not sufficiently covered in the manual, such as training and reconciliation of bank statements.

CA has already made a number of improvements to internal controls at the Miami Passport Office, including modifying the automated cash register system and providing additional training. OIG commends these actions, and has provided additional recommendations that we believe will further improve internal controls at this facility.

Information Technology Vulnerability Assessment at the Charleston Financial Service Center (01-FMA-R-078)

The Government Management Reform Act of 1994 (Public Law 103-356) requires that the Department's principal financial statements be audited annually. These audits require, among other components, an assessment of the adequacy of the internal control process for recording, accumulating, and reporting financial data. This, in turn, requires an assessment of the security of the automated systems that process financial data. At OIG's direction, independent external computer specialists performed a vulnerability assessment of information technology at the Charleston Financial Service Center.

Overall, the review found that the information technology security posture at the Charleston Financial Service Center was excellent. The information systems security

officer immediately corrected technical vulnerabilities identified during the assessment and immediately strengthened security engineering processes that required improvement. The recommendations contained in this report will serve only to enhance further the information technology security posture and strengthen security engineering practices.

Review of Selected Awards to Project Harmony, Inc., for Activities in New Independent States (01-FMA-R-O80)

As part of an overall effort to review Freedom Support Act assistance to the New Independent States (NIS), OIG examined 20 grants totaling about \$15 million awarded by the former United States Information Agency (USIA) and the Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) to Project Harmony, Inc. OIG reviewed costs claimed for FY 1995 through July 30, 2000. The primary purpose of this audit was to determine whether Project Harmony adequately (1) accounted for Federal funds, (2) complied with applicable Federal laws and regulations related to the terms and conditions of the agreement, and (3) evaluated its NIS programs. At the request of the INL grants officer, OIG also reviewed the grantee's indirect cost structure and methodology for claiming reimbursement of indirect expenses. OIG found the following:

- Project Harmony did not adequately account for Federal funds. Specifically, the grantee did not record or allocate administrative costs to Federal grants based on actual costs incurred. The grantee also overcharged Federal awards for travel costs that were not actually incurred. OIG noted inaccuracies and inconsistencies between the financial data recorded in the grantee's official accounting records and the amounts reported in the certified financial reports and its annual single audit reports. As a result, we questioned costs totaling approximately \$8,127,683 million. Of that amount, \$272,297 was unallowable under terms and conditions of the grant and, \$7,855,386 was classified as unsupported because of either inadequate or no documentation.
- Internal controls were deficient. Weaknesses included inadequate cash controls, bank balances that exceeded insured amounts, lack of written accounting policies and procedures, and a lack of separation of duties within the organizational structure.

- Project Harmony did not comply with applicable regulations and agreements. For example, Project Harmony failed to meet requirements for cost sharing, timesheets, travel expense reports, and indirect costs. There were also inadequate property control records and incomplete personnel records.

OIG recommended that the Bureau of Educational and Cultural Affairs and INL require Project Harmony to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs. In addition, the grant officer should continue monitoring Project Harmony to ensure accountability of Federal funds and compliance with grant regulations.

Survey of the Worldwide Purchase Card Program – Domestic Operations (O1-FMA-M-081)

OIG performed a survey of the domestic operations of the Department's Worldwide Purchase Card Program (WPCP). The objectives of this survey were to determine how effectively the Department has implemented the WPCP domestically and whether the WPCP was achieving cost savings. OIG also examined whether the Department has established appropriate performance goals and measures in accordance with GPRA in regards to the WPCP. OIG also analyzed overall statistical trends in the WPCP from FY 1996 through FY 2000.

OIG found that the WPCP has experienced rapid growth and Department customers have received goods and services more quickly as a result of the program. The Department has also established performance measures for the WPCP in accordance with GPRA—cost savings, increases in the dollar amount of purchase card transactions, and increases in the number of purchase cardholders. Also, for those transactions where OIG found sufficient documentation to analyze the procurements, Department personnel have generally complied with Department regulations in using purchase cards.

However, OIG found that some program improvements were needed. While the number of cardholders has dramatically increased, part of this growth was apparently in purchase card users who made infrequent or no transactions. Also, about 12 percent of the domestic transactions reviewed by OIG lacked required documentation for OIG to verify independently that the purchases were properly made and reconciled in a timely manner. Further, responsible officials interviewed by OIG had not conducted required annual reviews of their offices' WPCP operations. OIG also

found that the Department's method for determining cost savings—the reduction in the number of paper purchase orders processed—does not necessarily capture the actual administrative cost reductions that have occurred. Finally, OIG found inappropriate procurement practices that, if changed, could yield additional cost savings for the Department.

Recent Department guidance on the WPCP should help address the documentation and annual review issues, but our report recommends that additional steps be taken. Our report also contains recommendations for the Department to examine low purchase card usage, clarify its reporting on cost savings from the program, and explore additional cost avoidance measures.

Review of Awards to Iraqi National Congress Support Foundation (01-FMA-R-092)

OIG, in conjunction with the Bureau of Administration, Office of Acquisitions, examined two grants totaling about \$4.3 million awarded by the Department's Bureau of Near Eastern Affairs (NEA) to the Iraqi National Congress Support Foundation (INCSF). OIG reviewed costs incurred for the period March 31, 2000, through May 30, 2001, to determine whether INCSF (1) had adequate controls to ensure that Federal funds were properly accounted for and spent for the intended purpose of the agreements, and (2) complied with applicable Federal laws and regulations. OIG found that:

- Significant improvements in accountability were needed to ensure that Federal funds were properly accounted for and spent for the intended purpose of the agreements. We found that INCSF's accounting system was not integrated to identify, collect, process, and promptly report financial information. For example, the London and Washington offices used substantially different accounting systems, charts of accounts, and bases of accounting that prevented consolidation of organization-wide financial statements.
- Internal controls were deficient. Weaknesses included a lack of signature authority by INCSF leadership for a separate bank account at the Washington office as required by INCSF bylaws; lack of written accounting policies and procedures; lack of separation of duties within the organizational structure; and bank balances that exceeded insured amounts.
- INCSF did not comply with applicable regulations and agreements. As a result, OIG questioned costs totaling about \$2.2 million. Of that amount, \$113,794 was

unallowable under terms and conditions of the agreement and \$2,107,093 was classified as unsupported because of either inadequate or no documentation. Unallowable costs, for example, included legal and court costs incurred for breach of contract related to its office space in a residential building. Other issues included noncompliance with U.S. tax reporting requirements and Office of Management and Budget Circulars and Federal Travel Regulations, including lack of adequate timesheets, and inadequate property management and personnel management.

OIG recommended that the NEA grants officer require INCSF to reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs.

Review of Financial Management Issues at the Organization for Economic Cooperation and Development (OI-FMA-M-O93)

In response to a request from the then Chairman, Subcommittee on Commerce, Justice, State, and the Judiciary of the Senate Committee on Appropriations, OIG conducted a review of financial management issues at the Organization for Economic Cooperation and Development (OECD). The request noted concerns raised by the work of an outside audit firm, as well as reported allegations of missing bank accounts and cash.

OIG was asked to assess the magnitude of the problems and to review the OECD's progress in implementing financial management reforms. OIG assessed the extent, scope, methodology, and results of the audit firm's work, as well as a subsequent audit performed by another outside audit firm of OECD's FY 2000 balance sheet. Subsequent to issuing its draft report, the audit firm advised the OECD that while OECD's accounting was out of date and lacked clear standards, the term "misappropriation" in the draft report meant misclassification, not unauthorized expenditure. Further, the firm auditing OECD's FY 2000 balance sheet identified no such problems. In addition, OIG conducted extensive interviews of OECD and U.S. Mission officials, and reviewed and analyzed relevant reports and documents. OIG did not conduct an audit of OECD accounts, however.

OIG found no evidence of misappropriation of funds or fraud within OECD accounts, or missing bank accounts, either as a result of OIG work or the work of the outside audit firms.



OECD Chancery

OECD has made significant progress in strengthening its internal controls over OECD operations and accounting procedures, including the implementation of a new financial system. OECD recognizes that there is work yet to be done to complete the reforms. In addition to the reforms already underway, OIG recommended that the U.S. Mission seek to have OECD institutionalize annual external audits of its financial statements to

include the balance sheet, income statement, and statement of cash flows. OIG also recommended that OECD establish an audit committee, and expand and refine the internal audit function. The former Ambassador to the U.S. Mission communicated these recommendations to the Secretary-General and the OECD Council on June 18, 2001, in her farewell remarks.

Foreign Service Retirement and Disability Fund Financial Statements for FY 2000 (01-FMA-R-014)

An independent external contractor audited the Foreign Service Retirement and Disability Fund's (FSRDF) Financial Statements for FY 2000 to report on whether the financial statements are fairly presented, to determine whether the FSRDF has an internal control structure that provides reasonable assurance of achieving internal control objectives, and to determine whether FSRDF complied with applicable laws and regulations. FSRDF is a trust fund that provides pensions to retired and disabled members of the Foreign Service. For FY 2000, FSRDF reported assets of \$10.7 billion and an actuarial unfunded pension liability of \$669.5 million.

The contractor found that the financial statements were presented fairly in all material respects. The audit did not identify any internal control weaknesses or instances of noncompliance with laws and regulations that were considered necessary for disclosure.

Review of the Accounting System of Delphi International, Inc. (01-FMA-M-048)

OIG reviewed the accounting system of Delphi International, Inc., (Delphi), a grantee of the Department's Bureau of Educational and Cultural Affairs (ECA). OIG examined the accounting system utilized by Delphi to record costs under grants awarded by the former USIA. OIG also reviewed activity related to Delphi's procedures for requesting cash advances under Federal grants. The review was made solely to assist the Department in evaluating the adequacy and accuracy of Delphi's accounting system and appropriateness of its requests for advances. Specifically, ECA requested this review to assist in making a determination as to whether to place this grantee on the Department of Health and Human Services' Payment Management System.

OIG concluded that Delphi's accounting system was basically adequate for accumulating and reporting costs incurred under Federal grants. OIG did note, however, inaccuracies between the financial data recorded in the grantee's official accounting records and the amounts reported in the quarterly financial reports. In addition, the analysis of Delphi's requests for cash advances disclosed significant variances between the amounts requested and the corresponding amounts incurred in the period covered by the request. Therefore, OIG is recommending that the ECA grants officer not place Delphi on the Payment Management System.

Review of Inter-Con Security Systems, Inc. Billing Procedures Under the U.S. Department of State Contract No. S-OPRAQ-96-0569 (01-FMA-M-051)

At the request of the OIG, certified public accountants reviewed Inter-Con Security Systems, Inc. (Inter-Con) billing procedures under Department Contract No. S-OPRAQ-96-0569. Under the contract awarded on May 6, 1996, Inter-Con provided uniformed armed and unarmed guard services to DS for Department offices and facilities in the greater Washington, D.C., area and other domestic locations. The contract was a "time and materials" contract with an estimated amount of \$68 million between January 6, 1997, and June 5, 2001. This limited scope review disclosed the erroneous payment of higher rates than required under the contract for

request orders designated as temporary additional services. OIG estimated that overpayments could total \$4.6 million since the start of the contract.

United States Information Agency's Balance Sheet as of September 30, 1999 (01-FMA-R-083)

OIG's independent external contractor audited the USIA balance sheet as of September 30, 1999, to report on whether the balance sheet fairly presented the financial position in accordance with generally accepted accounting principles. The audit also examined whether USIA had an internal control structure that provided reasonable assurance of achieving internal control objectives and complied with applicable laws and regulations. This audit was limited to the portion of USIA that was transferred to the Department as of October 1, 1999.

The contract audit found that the balance sheet was presented fairly in all material respects, except for the Fund Balance with Treasury account. The audit found that USIA was unable to reconcile the fund balance from the general ledger to the fund balance reported by the Department of Treasury and therefore used the amount reported by the Department of Treasury on its financial statements. In addition, the report identified concerns about USIA's financial and accounting system, which are both an internal control weakness and an issue of noncompliance with several laws and regulations including the Budget and Accounting Procedures Act and the Federal Managers' Financial Integrity Act.

INVESTIGATIONS

Conflict of Interest

OIG conducted an investigation into allegations that a former U.S. Ambassador violated conflict of interest laws by contacting a United States embassy on behalf of his new employer within the first year after he retired from the Department. As a result of the investigation, the former Ambassador signed a settlement agreement with the Department of Justice, Public Integrity Section, and has paid the U.S. Government \$10,000 to resolve allegations that he violated federal post-employment restrictions. (99-006)

Employee Misconduct

OIG conducted an investigation into allegations that a senior Department employee violated nepotism regulations by attempting to intervene in a promotion decision on behalf of a family member. As a result of the investigation, the Bureau of Human Resources issued a Letter of Reprimand that is to remain in the employee's official personnel folder for one year. (01-013)

Customs Violation

OIG conducted an investigation into allegations that a Foreign Service Officer transported monetary instruments in excess of \$10,000 into the United States in violation of 31 U.S.C. Section 5316(a). This matter was declined for criminal prosecution and referred to the Bureau of Human Resources. The Bureau of Human Resources issued a Letter of Admonishment to the employee. (96-067)

Visa Fraud

OIG opened an investigation in September 2000, based upon information developed in a proactive investigation that an immigration attorney in New York was involved in the submission of multiple fraudulent applications to the Diversity Immigrant Lottery (DV) Program. The New York office of the Immigration and Naturalization Service (INS) was advised of this information, and agreed to participate in the investigation.

Record reviews established that the immigration attorney had submitted multiple DV applications on behalf of clients for several years, using slight variations in the spelling of the name on each application. The reviews also established that a substantial number of the attorney's clients had been selected as "winners" of the lottery. The investigating agents recorded conversations between the immigration attorney and two separate cooperating informants.

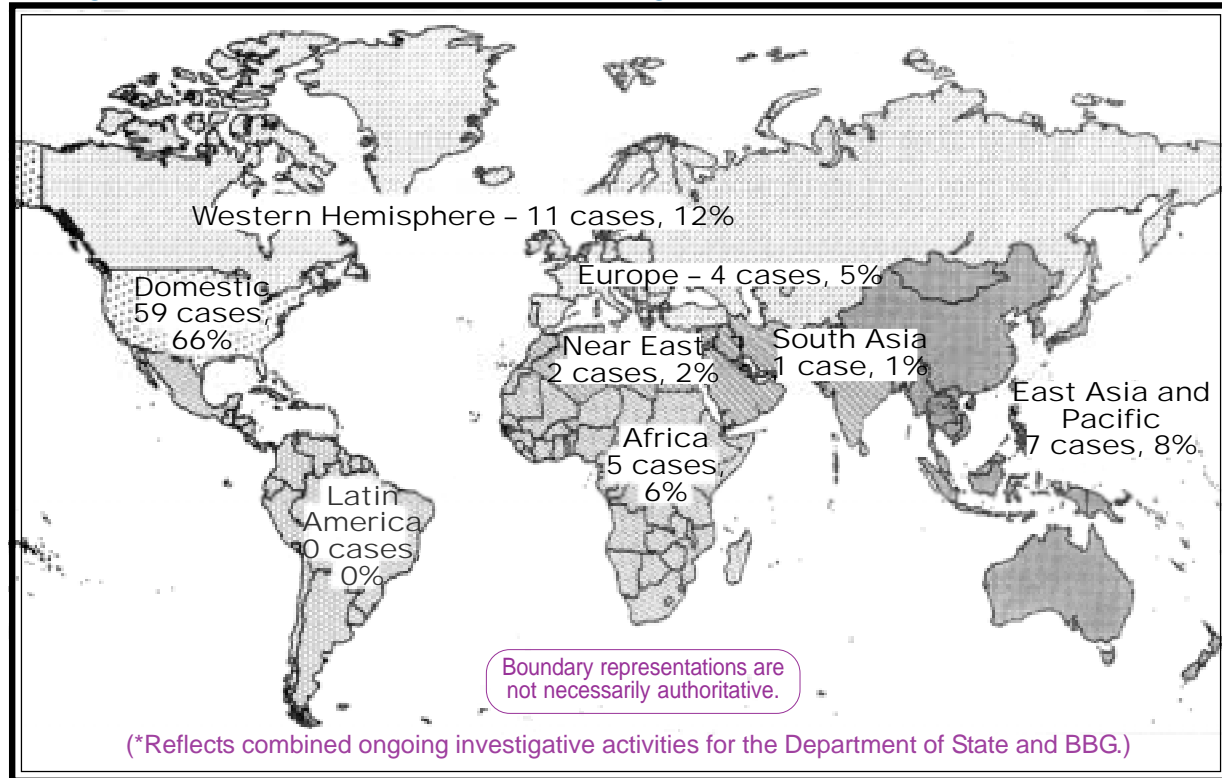
On August 20, 2001, the attorney was arrested on felony charges of visa fraud, mail fraud, and conspiracy. A search warrant for his office was executed on the same date. Resolution of these criminal charges was pending at the end of this reporting period. (00-095)

OIG Special Agents Commended for Interagency Assistance

OIG special agents received a letter of appreciation from the Deputy Inspector General of the Department of Defense lauding the "extraordinary professionalism and dedication" the agents displayed while providing assistance following the terrorist attack at the Pentagon on September 11, 2001. The letter noted the agents' tireless efforts, working around the clock in hazardous material protective gear, to identify victims and to recover evidence essential to the criminal investigation of the attack.

On another, unrelated matter, two OIG special agents responded to a request for investigative assistance this past April from the Inspector General of the Peace Corps. In a letter of appreciation, the Peace Corps Inspector General praised the timely, thorough, and professional manner in which the special agents conducted the highly sensitive investigation, which was concluded in June.

Geographic Distribution of Investigations*



In January 2001, OIG opened a joint investigation with INS, Newark, NJ, predicated upon information provided by a cooperating informant, who indicated that a Turkish national residing in New Jersey was charging customers \$5,000 to \$6,000 for documentation that would enable them to receive C-1/D-1 transit/crewmen visas.

The investigation determined that two associates of the Turkish national, operating in Miami, FL, had generated numerous letters to U.S. consulates falsely stating that a cruise line had contracted to employ various aliens as crewmen. The people who produced these letters used the letterhead of a cruise line that had not operated in the United States for some time. Numerous aliens fraudulently obtained visas and entered the U.S. through this scheme. On August 9, 2001, the Turkish national was arrested on felony charges, and a search warrant for his office was executed. He agreed to cooperate in the investigation. (01-021)

OIG opened a joint investigation in January 2001 with INS and the SSA, Office of Inspector General, based upon information that substantial numbers of foreign nationals from several African countries had been providing passports containing counterfeit work-authorized visas to Social Security offices in the Richmond and

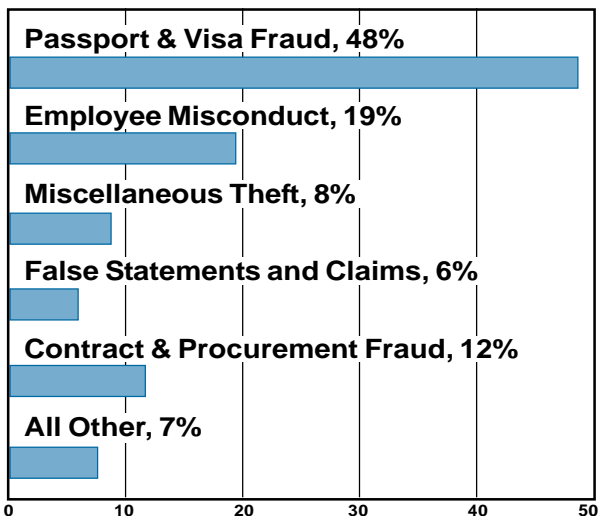
Norfolk, Virginia areas, in order to obtain work-authorized Social Security cards. The investigating agents conducted record reviews that identified approximately 80 such foreign nationals who had presented these counterfeit visas to Social Security offices.

The investigation developed evidence that a Guinean national residing in Virginia was involved in the sale of these counterfeit visas. On June 12, 2001, this person was indicted on seven felony charges of visa fraud, and of shielding illegal aliens from detection. He subsequently provided a videotaped confession, and pleaded guilty to visa fraud on September 14, 2001. As part of the plea agreement, this person agreed not to contest removal from the U.S. after serving any sentence. Sentencing was pending at the end of this reporting period. (01-031)

Theft

In October 2000, the OIG opened a joint investigation with the U.S. Customs Service based upon information that an employee was stealing Department computer hardware/software and selling it overseas. Customs provided OIG with computer hard drives that the employee had previously tried unsuccessfully to mail overseas. A forensic review of the computers' hard drives by the Customs Cybertech Office identified various classified documents on one of the hard drives.

Types of Cases*



(*Reflects combined ongoing investigative activities for the Department of State and BBG.)

Subsequent record reviews determined that the employee in question had made numerous false statements on his application for federal employment. Specifically, it was determined that the employee had not received an honorable discharge from the military, had not obtained a degree from the academic institution listed on the application form, and had previous felony arrests for theft.

In January 2001, OIG obtained and executed a search warrant on the employee's house. The warrant resulted in the seizure of several computer-related items, software and documentation. The employee was interviewed and admitted to computer and property thefts valued at approximately

\$20,000. However, the employee stated that he was not aware that the stolen hard drive contained classified information. The employee also admitted to making false statements concerning the background information he provided to the Department to obtain employment.

On June 5, 2001, in the U.S. District Court of the District of Columbia, the employee pleaded guilty to one count of theft of government property and unauthorized removal of classified materials. Sentencing has been scheduled for October 11, 2001. (01-012)

Follow Up Actions:

Embezzlement

OIG conducted an investigation into allegations that a Foreign Service officer wrote bad checks to the U.S. embassy where the officer was assigned. The total monetary loss to the government was determined to be \$14,713. The officer was sentenced in U.S. District Court on January 9, 2001, to 3 years of supervisory probation, 4 months of home detention, and full restitution to the U.S. Government. On September 5, 2001, the officer was notified by the Director General of the Foreign Service of being “separated from employment” with the Department of State. (*See OIG Semiannual Report October 1, 2000, to March 31, 2001, pp 47-48*) (99-037)

Visa Fraud

OIG opened an investigation in April 1998, based upon information that officers of a company based in Northern Virginia were engaged in a large-scale scheme to defraud the EB-5 investor visa program. Under this program, U.S. immigrant visas may be issued to foreign nationals who invest at least \$500,000 in a business that creates jobs in high unemployment areas of the United States.

This joint investigation with INS and IRS developed evidence that company principals had been involved in submitting numerous fraudulent visa petitions, as well as other false statements to the Government, and that they had taken funds

obtained from alien customers, which were to be invested, for their own use. Little, if any, money was invested in U.S. businesses, and few, if any, jobs were created.

In August 2000, the two principal officers of the company were charged in a 61-count indictment with visa fraud, conspiracy, money laundering, false tax returns, failure to file, and bankruptcy fraud. The defendants represented themselves in a bench trial (no jury) during March and April 2001. The Government estimated that the defendants took in approximately \$21 million through this scheme. On August 16, 2001, the Court found the defendants guilty of all charges in the indictment. Sentencing is scheduled for November 2, 2001.

An immigration attorney in Miami, FL, who had been involved with these two principal officers in some aspects of this scheme, pleaded guilty to one felony count of visa fraud, and agreed to cooperate in the investigation. He testified as a Government witness at trial. In April 2001, he was sentenced to 14 months' imprisonment, was fined \$2,000, and was ordered to make restitution of \$838,500 to clients he had defrauded in connection with this scheme. (*See OIG Semiannual Report, April 1 to September 30, 2000, pp. 30-31*) (98-079)

OIG has been conducting a joint investigation with INS, IRS, and the SSA, Office of Inspector General, since August 1999, based upon information that a network of people was engaged in a scheme involving visa fraud, alien smuggling, and money laundering. This group, operating in several parts of the United States and in the Czech Republic, was engaged in a conspiracy to profit from the employment of unauthorized alien workers in the United States.

The investigation determined that the group assisted foreign nationals in obtaining nonimmigrant visas from U.S. Consulates by misrepresenting the true purpose of the travel, and by providing fraudulent documentation in support of visa applications. Once in the United States, many of these foreign nationals were provided with counterfeit H1-B visas, which authorize employment. These fraudulent visas were then used to obtain Social Security cards and other identity documents.

Four Czech nationals, who had been living in the United States, entered guilty pleas to felony charges in U.S. District Court in Norfolk, Virginia, in February 2000. One of these people, who had pleaded guilty to conspiracy to launder monetary instruments, was sentenced to 84 months' incarceration, and was ordered to forfeit \$136,763 in seized assets. The other three people received lesser sentences.

In March 2001, a Slovak national was charged in a 15-count indictment with visa fraud, money laundering, wire fraud, and inducement of an alien to enter the United States illegally. In June 2001, this person was arrested in the Czech Republic in

connection with these charges. His extradition to the United States was pending at the end of this reporting period.

In June 2001, two Slovak nationals residing in Florida were arrested, and subsequently pleaded guilty in Norfolk, Virginia, to charges of knowingly employing ten or more aliens. Sentencing for both people was pending at the end of this reporting period.

On July 25, 2001, a naturalized U.S. citizen residing in Florida was indicted on charges of conspiracy to launder monetary instruments. An associate of this person, also residing in Florida, was indicted on charges of inducing aliens to enter or reside in the United States. (*See OIG Semiannual Report October 1, 2000, to March 31, 2001, p. 52-53*) (99-072)

In October 2000, OIG opened a joint investigation with INS, based upon information that a Costa Rican national residing in New Jersey was manufacturing and selling machine-readable visas from his residence. Based upon evidence developed in an undercover operation, the investigators obtained a search warrant for this person's residence. During the execution of this warrant, the subject's computer was seized, along with account ledgers, counterfeit visas, social security cards, and other documentation and equipment. On November 1, 2000, the subject was charged with felony violations of visa fraud, immigration document fraud, and social security fraud. He was ordered detained without bail. On May 31, 2001, he pleaded guilty to several felony counts of document fraud. On September 28, 2001, the subject was sentenced to 19 months of incarceration, and three years of supervised probation. (*See OIG Semiannual Report, October 1, 2000 to March 31, 2001, p. 48*) (01-002)

OIG opened a joint investigation with INS in January 2000, based upon information that student visas had been issued to a substantial number of Chinese nationals, based upon fraudulent certifications that these people were students at a university in New England. The university advised that these people were in fact, not students, and that the documents were fraudulent.

The investigation determined that a group of Chinese nationals based in New York was operating this scheme. Evidence showed that this group had obtained fraudulent student visas for approximately 300 foreign nationals by providing fraudulent certifications purporting to show attendance at more than 20 different universities and colleges. The group was also involved in obtaining fraudulent visas by preparing false petitions for employment. In November 2000, two Chinese nationals were arrested in New York on charges of visa fraud in connection with this scheme. On July 17, 2001, one of these persons pleaded guilty to a felony charge of visa

fraud; sentencing was pending at the end of this reporting period. Plea negotiations were continuing with the other people. (See *OIG Semiannual Report, October 1, 2000 to March 31, 2001, p. 50*) (00-036)

Theft

OIG opened an investigation in June 1999 based upon information provided by DS indicating that a passport examiner at the New York Passport Agency had been involved in the theft of passport fees. The OIG investigation determined that the employee had used several different methods to steal application fees over a period of approximately two years. The passport examiner was terminated from employment in August 1999.

In July 2000, the former employee was charged with a felony violation of theft of public money. On March 26, 2001, this person pleaded guilty to this charge in U.S. District Court for the Southern District of New York. On July 27, 2001, the former employee was sentenced to four months of home detention, three years of probation, and \$21,000 in restitution. (See *OIG Semiannual Report, October 1, 2000 to March 31, 2001, p. 54*, and *OIG Semiannual Report, April 1 to September 30, 2000, p. 32*) (99-059)

Hotline



The OIG Hotline, operated by the Office of Investigations, is a prompt, effective channel for employees and others to report incidents of fraud, waste, abuse, and mismanagement to the Inspector General. Below is a summary of Hotline activity for the agencies for which OIG has oversight.

Total allegations received	172
Held for action within OIG	42
Referred to other offices for action	117
Not substantiated – no action necessary	13

APPENDIX 1: INVESTIGATIVE ACTIVITIES¹

Workload		Total Judicial Actions		46
Cases pending 3/31/01	109	<i>Criminal</i>		
New cases opened	21	Prosecutive referrals		8
Cases closed	41	Prosecutive declinations		8
Cases pending 9/30/01	89	Prosecutive dismissals		0
Preliminary inquiries pending 3/31/01	22	Acquittals		0
Prelim opened	51	Indictments ²		11
Prelim closed	54	Convictions		10
Prelim converted to cases	4	Sentencings		6
Preliminary inquiries pending 9/30/01	19	Time sentenced	16 months	
		Time probation	14 years	
Total Administrative Actions	8	Court-ordered fines	\$12,500	
Admonishments	0	Court-ordered restitutions	\$376,834	
Counseling	0			
Curtailment	0	<i>Civil</i>		
Demotions	0	Referrals		1
Reimbursements	0	Declinations		2
Reprimands	1	Complaints		0
Resignations	0	Judgments		0
Suspensions	1	Court-ordered fines		0
Terminations	0	Recoveries		0
Administrative referrals	6	Total judgments and recoveries		0
PFCRA ³ referrals	0			
Savings	0			

Administrative recoveries ⁴	\$	0
Judicial recoveries ⁵	\$	389,334
Total Investigative Recoveries	\$	389,334

¹ This appendix reflects investigative statistics for the Department of State only. Please see page 79 for investigative statistics related to BBG.

² Indictments included formal criminal charges brought against a subject. The manner in which charges are brought varies from country to country.

³ Program Fraud and Civil Remedies Act.

⁴ Includes recoveries from administrative actions, such as reimbursements and savings.

⁵ Includes recoveries from judicial actions, including court-ordered fines and restitutions and civil judgments and recoveries.

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

APPENDIX 2: REPORTS ISSUED

Security

01-SIO-R-061	Audit of the Department's Background Investigations	8/01
01-SIO-R-085	Audit of the State Department's Anti-Terrorism Assistance Program	9/01
01-SIO-R-043	Embassy Phnom Penh, Cambodia	5/01
01-SIO-R-042	Embassy Hanoi and Consulate General Ho Chi Minh City, Vietnam	6/01
01-SEC-R-005	U.S. Diplomatic Posts in the Bureau of European Affairs	6/01
01-SIO-R-044	Embassy Bandar Seri Begawan, Brunei	7/01

Security Annexes

01-FP-R-011/A	Sarajevo, Bosnia-Herzegovina	4/01
01-FP-R-012/A	Embassy Bratislava, Slovakia	4/01
01-FP-R-020/A	U.S. Interests Section, Havana, Cuba	5/01
01-FP-R-021/A	Embassy Sofia, Bulgaria	4/01
01-FP-R-022/A	Embassy Caracas, Venezuela	4/01
01-FP-R-025/A	Embassy Dar es Salaam, Tanzania	4/01
01-FP-R-026/A	Embassy Nairobi, Kenya	4/01
01-FP-R-047/A	Embassy Djibouti, Djibouti	7/01
01-FP-R-049/A	Embassy Asmara, Eritrea	6/01
01-FP-R-056/A	Embassy Montevideo, Uruguay	7/01
01-FP-R-057/A	Embassy Lima, Peru	9/01
01-FP-R-058/A	Embassy Asuncion, Paraguay	7/01
01-FP-R-063/A	Embassy Accra, Ghana	9/01

Inspections

01-FP-M-045	Review of Implementation of the Federal Voter Assistance Program	9/01
01-FP-R-046	Inspection of Embassy Algiers, Algeria	6/01
01-FP-R-047	Inspection of Djibouti, Republic of Djibouti	7/01
01-FP-R-049	Inspection of Embassy Asmara, Eritrea	6/01
01-FP-L-055	Review of Diplomatic Mail and Pouch Support for the Federal Voter Assistance Program	9/01
01-FP-R-056	Inspection of Embassy Montevideo, Uruguay	7/01
01-FP-R-057	Inspection of Lima, Peru	9/01

01-FP-R-058	Inspection of Embassy Asuncion, Paraguay	7/01
01-HR-R-060	Compliance Followup Review of the Inspections of the Bureau of Human Resources and The Foreign Service Institute	9/01
01-FP-R-063	Inspection of Embassy Accra, Ghana	9/01
01-FP-R-065	Inspection of Embassy Libreville, Gabon	9/01
01-FP-R-066	Inspection of Embassy Lome, Togo	9/01
01-FP-PM-087	Review of Mission Counternarcotics Activities in Bolivia/Ecuador	9/01
01-FP-R-090	Inspection of Embassy Budapest, Hungary	9/01
01-FP-R-091	Inspection of Embassy Warsaw, Poland	9/01

Audits

01-FMA-R-014	Foreign Service Retirement and Disability Fund Financial Statements for FY 2000	4/01
01-HR-M-036	Review of Overseas Medical Operations	7/01
01-FMA-M-040	Need to Improve Internal Controls in the Miami Passport Office	8/01
01-IT-R-044	Critical Infrastructure Protection: The Department Can Enhance Its International Leadership and Its Own Cyber Security	6/01
01-FMA-M-048	Review of the Accounting System of Delphi International, Inc.	6/01
01-FMA-M-051	Review of Inter-Con Security Systems, Inc. Billing Procedures Under the U.S. Department of State Contract No. S-OPRAQ-96-0569	6/01
01-FMA-M-053	Review of the Overseas Wireless Program	7/01
01-FMA-R-078	Information Technology Vulnerability Assessment at the Charleston Financial Service Center	9/01
01-FMA-R-080	Review of Selected Awards to Project Harmony, Inc., for Activities in the New Independent States	9/01
01-FMA-M-081	Survey of the Worldwide Purchase Card Program - Domestic Operations	9/01
01-IT-M-082	Senior Management Attention Needed to Ensure Effective Implementation of the Government Information Security Reform Act	9/01
01-FMA-R-083	United States Information Agency's Balance Sheet as of September 30, 1999	9/01
01-FMA-R-092	Review of Awards to Iraqi National Congress Support Foundation	9/01

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS¹
WITH QUESTIONED COSTS²

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	9	7,067	385
A1. Adjustment	0	0	0
A2. Adjusted Balance	9	7,067	385
B. Which were issued during the reporting period	2	10,348	9,963
Subtotals (A2 + B)	11	17,415	10,348
C. For which a management decision was made during the reporting period			
– based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	11	17,415	10,348
Reports for which no management decision was made within 6 months of issuance	9	7,067	385

¹ Includes audit reports issued by the Office of Audits and by the Office of Security and Intelligence Oversight.

² Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE¹

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	5	1,541
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	5	1,541
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	5	1,541
Reports for which no management decision was made within 6 months of issuance	5	1,541

¹ A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if Department management took actions to implement and complete the recommendations, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of the Department, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

APPENDIX 4: RESOLUTION OF REPORTS & RECOMMENDATIONS

PREVIOUSLY REPORTED SIGNIFICANT AUDIT RECOMMENDATIONS¹ PENDING FINAL ACTION²

Report Number	Rec. Number	Report Title Recommendation Summary	First Reported
3-PP-014		<i>Maintenance and Repair of Buildings Overseas</i>	3/31/94
	1.	Develop a system to identify and monitor the worldwide backlog of maintenance and repair deficiencies, including determining an acceptable level for the backlog and periodically updating the backlog for corrective action taken, additional deficiencies identified, and improved cost estimates.	
93-A-34/ ARR-95-08		<i>Grants Management Followup</i>	3/31/95
	5.	Require monthly reporting requirements on the project's status.	
	6.	Ensure that data in the grants system is reconciled with data in other grant-related systems.	
APR-96-07		<i>Exchange Visitor Information System</i>	3/31/96
	3.	Determine the feasibility of electronically transmitting J Visa data from sponsor organizations to the EVIS database at USIA.	

¹ Includes audit recommendations reported as significant in semiannual reports prior to September 30, 2000, on which Department management has agreed to take corrective action but for which those actions are not yet complete.

² Final action is recorded when a proposed course of action in response to a recommendation has been accepted by OIG and completed by management to OIG's satisfaction.

SUMMARY OF AUDIT REPORTS

WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Management of Secure Communications (SIO/A-97-15), March 1997

Summary: OIG made 22 recommendations to the Director General of the Foreign Service and the Director of Personnel (now Human Resources) to require personnel, like IM specialists staff, who hold positions with access to bulk quantities of sensitive information to undergo a special counterintelligence screening process prior to each assignment. Three of the recommendations remain unresolved, which were assigned to the Director General of the Foreign Service.

Reason Unresolved: The Director General of the Foreign Service has not responded, formally or informally to the report and subsequent follow-up inquiries.

To be resolved by: December 2001

Management of Sensitive Compartmented Information Access (SIO/A-98-49) September 1998

Summary: OIG made four recommendations to the Assistant Secretary for Intelligence and Research and the Director General of Personnel to document policy and procedures on how INR will process SCI access requests, arbitrate waivers and disputed decisions to include DS and the Bureau of Personnel (now Human Resources), and develop a reliable process for determining when SCI access authorizations terminate. Three of the four recommendations remain unresolved, which were assigned to the Assistant Secretary for Intelligence and Research.

Reason Unresolved: INR had advised OIG of its plan to respond to these recommendations. However, due to the Secretary of State's transfer of authority for protection of SCI material from INR to DS, INR responded that it no longer has primary responsibility for these recommendations. In recent correspondence to DS and INR, OIG requested that DS work with INR to reach resolution for these recommendations.

To be resolved by: December 2001

Protective Services (SIO/A-99-29), June 1999

Summary: OIG made 25 recommendations to improve the protection provided to visiting dignitaries and foreign missions in the United States; 24 recommendations were made to DS, and 3 of these, which address centralizing all functions for the protection of foreign missions, transferring the authority for the ambassador's protective detail, and implementing a policy restricting the number of days that agents work, remain unresolved.

Reason unresolved: DS has not responded to these recommendations since October 1999.

To be resolved by: December 2001

Overseas Telephone Systems Security Management (SIO/A-00-01), November 1999

Summary: OIG made 19 recommendations to find solutions to overseas telephone security risks; 12 of these remain unresolved. Two of the unresolved recommendations were

SUMMARY OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

assigned to the Chief Information Officer, and 10 of the unresolved recommendations were assigned to DS.

Reason unresolved: OIG is working with DS and with the Chief Information Officer to reach resolution on all of the recommendations.

To be resolved by: December 2001

North/South Center (ARR-94-03), March 1994

Summary: OIG recommended that USIA seek reimbursement of \$1,507,261 in questioned costs, approximately \$1 million of which resulted from an inequitable allocation of indirect costs to the Center. The Department of Health and Human Services, which has audit cognizance, established new indirect cost rates.

Reason unresolved: The Department deferred action on about \$480,000 in remaining questioned costs pending further consultation with the Bureau of Educational and Cultural Affairs and awaiting additional information from the bureau.

To be resolved by: December 2001

International Institute of Wisconsin (CG-96-01), September 1996

Summary: OIG made recommendations on questioned grant costs totaling \$46,636 and internal controls and noncompliance issues.

Reason Unresolved: The Department is seeking clarification and documentation from the grantee.

To be resolved by: December 2001

Review of Indirect Costs Rates Proposed by the Institute of International Education (CG-99-015), May 1999

Summary: OIG made recommendations on questioned costs totaling \$1,054,098 that resulted from an inequitable allocation in indirect costs.

Reason Unresolved: The Department deferred a decision on the questioned costs pending completion of the appeal process.

To be resolved by: Unknown, Under appeal.

Sale and Leaseback Arrangement Proposed by the Institute of International Education (CG-99-016), May 1999

Summary: OIG made recommendations on the sale and leaseback arrangement proposed by the grantee that did not constitute a sale and leaseback within the meaning of the OMB cost principles and projected Funds Put to Better Use of \$4,300,000 over the life of the lease.

Reason Unresolved: The Department deferred a decision pending completion of the appeal process.

To be resolved by: Unknown; under appeal.

SUMMARY OF AUDIT REPORTS

WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

Washington Workshops Foundation (CG-99-025), September 1999

Summary: OIG made recommendations on questioned costs totaling \$913,000 and internal controls and compliance issues.

Reasons Unresolved: The Department is seeking clarification from the grantee.

To be resolved by: December 2001

ACLS Supporting the Vietnam Fulbright Economics (CG-99-026), October 1999

Summary: OIG made recommendations on questioned costs totaling about \$1.1 million and internal controls and compliance issues.

Reason Unresolved: The Department is seeking clarification and additional documentation from the grantee.

To be resolved by: December 2001

Town Affiliation Association of the U.S. (00-CG-019), July 2000

Summary: OIG made recommendations on questioned costs totaling about \$908.812 and internal controls and compliance issues.

Reason Unresolved: The Department is reviewing additional documentation provided by the grantee.

To be resolved by: December 2001

The American Councils for International Education (00-CG-032), September 2000

Summary: OIG made recommendations on questioned costs totaling \$1,186,847 and compliance issues.

Reason Unresolved: The Department is seeking clarification and additional documentation from the grantee.

To be resolved: December 2001

BROADCASTING BOARD OF GOVERNORS

Security

During this reporting period, the Office of Security and Intelligence Oversight issued a Security Compliance Follow-up Review for Radio Free Europe/Radio Liberty, Prague, Czech Republic.

Inspections

Inspection of Sao Tome Transmitting Station (01-FP-M-070)

The Sao Tome Transmitting Station began broadcasting Voice of America programs in March 1996. Since February 1997, the station has been providing FM broadcasts to local audiences. The station is self-sufficient. Its buildings and structures are efficiently and effectively managed; the station has developed innovative and useful solutions to common problems; and it has established smooth operations with port and customs authorities.

However, the station needed to address several staffing issues. OIG recommended that the station and the International Broadcasting Bureau revise Sao Tome's staffing pattern, review salaries and sick leave policies for local employees, and review position classifications and classification processes and policy. OIG also recommended that the station determine the appropriateness of International Cooperative Administrative Support System charges for community liaison office services.

Audits

More Guidance and Oversight Can Improve Broadcasting Board of Governors' Web Site Privacy (01-IT-M-039)

The Internet has emerged as a powerful tool for communicating large amounts of information on Federal activities and services. The Internet has also made it possible for web sites to track and collect personally identifiable data — such as a person's name, e-mail address, Social Security number, or credit card number — making online privacy one of the key and most contentious issues in this information age.

In response to requirements of Section 646 of the Treasury and General Government Appropriations Act, 2001, OIG conducted a review of Internet privacy management at the Broadcasting Board of Governors (BBG). OIG focused the review on BBG's practices regarding the collection of personally identifiable information through the use of "cookies" or other means on its public web sites. A cookie is a small text file placed on a site visitor's computer hard drive by a web server, allowing a server to track online purchases, maintain and serve customized web pages, or build profiles on individual site visitors.

BBG has not developed policies to ensure that its web sites are managed in accordance with Federal privacy guidelines prescribed by the Office of Management and Budget. Specifically, the guidelines restrict the use of persistent cookies on Federal Internet sites without compelling need, agency head approval, and posted notices to advise the public of any information collected on the sites and how that information is used. BBG recognizes that it needs to develop web privacy policies to help ensure compliance with Federal Internet management guidelines. Agency officials informed OIG that they recently began to develop a policy directive to ensure compliance with Federal guidelines for Internet privacy management within the International Broadcasting Bureau.

In the absence of agency policies to help ensure web site privacy, OIG found two instances on the four web sites that OIG identified where BBG was using persistent cookies without proper authorization. In both instances, the web managers did not know that persistent cookies were being used. One of the cookies had been inserted through a commercial web development application as a convenient way of maintaining user preferences (i.e., graphics, screen color) as a user navigates from

one web page to another during a site visit. The second cookie was used for counting visitors. Web managers agreed to take steps to remove or seek BBG approval for the two persistent cookies that OIG discovered during the review. OIG found no evidence that cookies were used to collect personally identifiable information on the agency's public web sites. Further, one of the four web sites that were reviewed had no privacy statement and therefore no means of advising users of any information collected on the site. The web manager was not aware that a privacy statement was required and agreed to post a statement to ensure compliance.

Strong Management Support Needed to Ensure Broadcasting Board of Governors Complies with the Government Information Security Reform Act (01-IT-M-084)

In response to GISRA, OIG performed an independent evaluation of the information security program and practices of BBG. Specific objectives of our review were to identify BBG's policies and procedures for securing information on its information systems and to determine whether BBG is effectively implementing requirements of GISRA.

OIG met with officials from organizations throughout BBG including the International Broadcasting Bureau (IBB), Voice of America, and Worldnet Television and Film Service. We spoke with officials from the Office of Cuba Broadcasting, but did not conduct any field work at its headquarters in Miami. The Office of Cuba Broadcasting had become aware of GISRA requirements only in June 2001 and requested time to develop and implement compliance measures. Also, OIG did not conduct detailed review work with BBG's grantee organizations, Radio Free Europe/Radio Liberty, and Radio Free Asia. They are private non-profit organizations that own and operate their own information technology systems. In addition to detailed discussions with appropriate BBG management and staff, we developed and used a questionnaire based on the National Institute of Standards and Technology's *Self-Assessment Guide for Information and Technology Systems*. We collected other pertinent supporting information security documentation as appropriate. We did not review technical controls during this evaluation because BBG was still developing its security program.

When OIG began its review in February 2001, BBG did not have a documented, agency-wide information security program as required by GISRA and had not

documented security level requirements for its systems. Upon initiating this evaluation in February 2001, OIG found that BBG had not developed written policies and procedures for establishing commonly used information security controls. OIG found that BBG primarily uses commercial off-the-shelf software and identified 49 systems that it was operating at the time of our evaluation. Using questions taken from the National Institute of Standards and Technology's *Self-Assessment Guide*, OIG held discussions with several system owners and found that they were not using standard information security controls while managing their systems and that system security level determinations had not been documented. Furthermore, other key items that would support a stronger risk management approach to information security as called for under GISRA were missing. They include:

- risk assessments;
- contingency plans;
- vulnerability testing;
- an information security training program; and
- procedures for detecting, reporting, and responding to security incidents.

Since February 2001, BBG has appointed a Chief Information Officer (CIO) and has made some progress toward establishing an information security program. For example, in July 2001, the CIO issued a draft paper outlining a framework for the BBG Information Security Program, including a discussion of roles and responsibilities, training requirements, and the agency's enterprise architecture. In addition, five BBG program offices—Computing Services, Engineering and Technical Services, Voice of America Broadcast Operations, the Office of Cuba Broadcasting, and the Office of Internet Development—are developing security plans to protect BBG's 18 mission-critical and 31 non-mission-critical systems that were identified during our evaluation. The development of these security plans, according to BBG officials, is geared toward meeting GISRA requirements. Overall, these efforts suggest that BBG is making steady progress toward establishing an effective information security program throughout the agency. OIG is encouraged by these steps to comply with GISRA and recommends that BBG complete work on developing its information security program by the end of October 2001 and include a discussion of these efforts in its remediation plan, which is due to the Office of Management and Budget on October 31, 2001.

Review of the Broadcasting Board of Governors Audience Research Program (01-FP-R-042)

OIG reviewed the audience research operations of the Broadcasting Board of Governors (BBG). The objectives of the review were to determine BBG's progress in developing a reliable research capability, evaluate how BBG gathers and uses the research, and analyze the related contracting practices. In addition, OIG evaluated the performance data related to audience research included in BBG's FY 1999 performance report proposed in response to GPRA.

OIG found that BBG had made significant progress in developing a reliable audience research capability. For example, it completed its first two language service reviews with research playing a significant role, developed an audience research manual, and significantly increased audience research funding.

However, OIG found that BBG could further improve its program and recommended that it (1) establish procedures to ensure the language priorities established by the Board are considered in allocating audience research funds; (2) ensure that its broadcast entities document the use of research recommendations in making broadcast and programming decisions; (3) require that its broadcast entities work with Board staff to improve the agency's GPRA planning and reporting process; and (4) ensure that the audience research contracting practices at Radio Free Europe/Radio Liberty and Radio Free Asia adhere to Office of Management and Budget guidance.

Investigations

Management Implication Report

An OIG investigation determined that members of BBG served concurrently on the board of directors of a nongovernmental organization that does contract work for BBG, creating an apparent conflict of interest. The investigation determined that the concurrent service was a past practice and was not currently ongoing. OIG issued a Management Implication Report recommending that future BBG governors be restricted from serving on the board of directors of the nongovernmental organization. (01-055)

APPENDIX 1: INVESTIGATIVE ACTIVITIES

Workload

Cases pending 3/31/01	1
New cases opened	2
Cases closed	2
Cases pending 9/30/01	1

Total Judicial Actions 3

Prosecutive Referral 2

Prosecutive Declination 1

Total Administrative Actions 0

The statistics and narrative case descriptions of investigative activities appearing in this Semiannual Report to the Congress are the result of reports received from prosecutive and administrative authorities. The final actions may be changed at a later date by individual use of administrative and judicial appeals processes.

APPENDIX 2: REPORTS ISSUED

01-IT-M-039	More Guidance and Oversight Can Improve Broadcasting Board of Web Site Privacy	Governors' 6/01
01-SIO-R-041	Radio Free Europe/Radio Liberty, Prague, Czech Republic	6/01
01-IT-M-084	Strong Management Support Needed to Ensure Broadcasting Board of Complies With the Government Information Security Reform Act	Governors 9/01
01-FP-R-042	Review of the Broadcasting Board of Governors' Audience Research Program	6/01
01-FP-M-070	Inspection of Sao Tome Transmitting Station	

APPENDIX 3: SAVINGS & MORE EFFECTIVE USE OF RESOURCES

Table I
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH QUESTIONED COSTS

	Number of Reports	(Dollars in Thousands)	
		Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotals (A + B)	0	0	0
C. For which a management decision was made during the reporting period	0	0	0
– based on formal administrative or judicial appeal			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision has been made by the end of the reporting period	0	0	0
Reports for which no management decision was made within 6 months of issuance	0	0	0

Table II
INSPECTOR GENERAL ISSUED AUDIT REPORTS
WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE

	Number of Reports	Dollar Value (in thousands)
A. For which no management decision has been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
Subtotals (A + B)	0	0
C. For which a management decision was made during the reporting period	0	0
(i) dollar value of recommendations that were agreed to by management	0	0
– based on proposed management action		
– based on proposed legislative action		
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision has been made by the end of the reporting period	0	0
Reports for which no management decision was made within 6 months of issuance	0	0

LIST OF ABBREVIATIONS

ARI	Andean Regional Initiative
ATA	Anti-Terrorism Assistance
BBG	Broadcasting Board of Governors
CIO	Chief Information Officer
CIP	Critical Infrastructure Protection
DS	Diplomatic Security
EAP	Emergency Action Plan
ECA	Bureau of Educational and Cultural Affairs
EU	European Union
FSRDF	Foreign Service Retirement and Disability Fund
FVAP	Federal Voter Assistance Program
GAO	General Accounting Office
GISRA	Government Information Security Reform Act
GPRA	Government Performance and Results Act
INCSF	Iraqi National Congress Support Foundation
INL	Bureau of International Narcotics and Law Enforcement Affairs
IRM	Information Resource Management
MED	Office of Medical Services
MPP	Mission Performance Plan
NEA	Bureau of Near Eastern Affairs
NGO	Nongovernmental organizations
OECD	Organization for Economic Cooperation and Development
OIG	Office of Inspector General
OWP	Overseas Wireless Program
SSA	Social Security Administration
USAID	United States Agency for International Development
USIA	United States Information Agency
WPCP	Worldwide Purchase Card Program

INDEX OF REPORTING REQUIREMENTS
INSPECTOR GENERAL ACT OF 1978, AS AMENDED

REQUIREMENT	SUBJECT	PAGE NUMBERS
Section 4(a)(2)	Review of legislation and regulations	13-15
Section 5(a)(1)	Significant problems, abuses, and deficiencies	19-52, 73-77
Section 5(a)(2)	Significant recommendations for corrective action	19-52, 73-77
Section 5(a)(3)	Prior significant recommendations unimplemented	66
Section 5(a)(4)	Matters referred to prosecutive authorities	53-60, 78
Section 5(a)(5)	Information or assistance refused	None
Section 5(a)(6)	List of reports issued	62-63, 79
Section 5(a)(7)	Summaries of significant reports	19-52, 73-77
Section 5(a)(8)	Audit reports—questioned costs	64, 80
Section 5(a)(9)	Audit reports—funds to be put to better use	65, 80
Section 5(a)(10)	Prior audit reports unresolved	67-69
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None